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MODULE
10

MANUFACTURED GROWTH STRATEGIES CHECKLISTS

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Manufactured Growth Strategies

WOW! We have come a long way and are already up to Module 10! What we are doing in this module and the next is pulling together all of the education and learning from the previous modules and presenting them in a step-by-step process, almost a checklist-type formation, from the start through to completion, for each of the key strategies. This module will specifically focus on the five key manufactured growth strategies, subdivision, development approval - multi unit, strata titling existing buildings, house relocation, and renovation. The next module will cover the key income strategies. Using examples is a great way to get the message across and to enhance your learning, so a real deal will be used for each strategy to model the step-by-step process.

Now a word of warning! If you are reading this module because you have skipped ahead to it without sequentially working through the other modules, then let this be a caution to you!

While this module might look like the holy grail for how to implement your chosen strategy, and the step-by-step process, what will not be covered is the in-depth detail and this is because that's what has already been covered in the earlier modules. So please… if you have jumped ahead, go back and sequentially work through the previous modules, so that by the time you get to read this, you have the content under your belt, and this module is 'icing on the cake' – so to speak.

You are also encouraged to not just read over these steps and checklists, but instead, make them the basis for your own master checklist for the strategies you propose to

undertake. You should reproduce the relevant checklist for your strategy, and then start adding to it, modifying it, and amending it as you read new information, as you hear and see new things, and as you expose yourself to other information of relevance to the strategy. This should be a living document and one that grows in detail as you learn and experience more and more. This needs to become your own detailed template for doing the strategy.

While the framework is being given to you, you will also see that the final step in the process with every strategy, is to review the project and diligently document your learnings in your own master checklist for the strategy. Please do not skip this process! Do not rush into the next deal without taking the time to review the last, to maximise your leanings from it and take them to improve on the process next time. This, in fact, is probably the single most important step in the whole process, because you never want to repeat the same mistake, and you never want to say, "Oh bugger – I forgot about that". You need to take control of your growth and strive to always improve!

So let's get started!!!



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Subdivision

The process of subdividing land is to break it into smaller parcels or lots. It requires an approval phase to gain council approval, a works phase to actually undertake the on-ground works, a final titling phase to register the newly created titles, and a sales phase if you intend to sell the new lots.

Detailed is the step-by-step process for undertaking a subdivision. As you can appreciate by now though, the size of the subdivision and number of new lots that you are creating will affect the process, but only slightly. Basically every step required in a large subdivision is also required in a small one, it's just a matter of scale. The State and council area in which you are doing the subdivision in, will also affect the process, because terminology may differ slightly and the process details may differ too. For this reason the descriptions are fairly generic, and so you need to research your particular area, the terms and the process, and reflect this in your own master checklist for the strategy.

The real deal subdivision example that is being used throughout the checklist is a nice simple 1 lot into 2 lot subdivision. It highlights many of the issues raised. It covers all of the required stages, and will give you a great real life snapshot of doing a subdivision deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity, and serviceability?
    - What is your time availability?
    - How far are you prepared to travel?
    - Is your strategy to hold or sell?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances determine what type of region you are targeting including:
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type e.g. regional area, within a distance that you are prepared to travel, within your risk profile, at a price point that meets your budget etc.
- Narrow this down to the top 5 locations of interest that meet your criteria.

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations research their specific characteristics including:
    - Population size
    - Infrastructure spending
    - Supply and demand
    - Rental vacancy rate
    - Council's attitude to development
- Based on the research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns.

- For each of your 3 target locations, research the population growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details, etc.

Step 2 – Strategy Research and Mapping

Strategy Research

- For each of your three target locations, educate yourself on what the market wants, where it wants it, why, and how it fits your chosen strategy e.g. subdivision.
- Research and visit other subdivisions in those locations. Learn from them, and record characteristics and features, prices, marketing strategies, consultants involved, etc.
- For each of the target locations, consult (in person or over the phone) with local town planner/s to determine the specific site requirements that need to be complied with for your chosen strategy including:
    - What is the minimum land size able to be subdivided?
    - What is the minimum land size of the end product being created, e.g. how many blocks per hectare?
    - Is a battle-ax subdivision allowed and if so what is the minimum land size of the rear lot and what is the minimum width for the battle-ax handle (driveway)?
    - Does the minimum land size differ between zones e.g. low density residential versus medium density zoning?
    - What is the minimum frontage width of the subdivided block?
    - What is the site cover requirement?
    - Is there a requirement to show a building envelope (footprint) on the newly created block to demonstrate that a dwelling can be built on the new lot and meet all regulations?

Mapping

- Obtain council zoning maps from the regional authorities.
- Identify the location of the zones you are interested in and highlight them on the map.

- Research the infrastructure, amenities, schools, transport, etc., of relevance and highlight them on your map.
- Research changes in infrastructure planned for the future and depict on map.



Zoning map of the target location – the bright pink areas were the target for medium density residential zoning.

Grid Variance Analysis

- Research the price ranges (low, medium, and high), of your areas of interest so you can make comparisons.
- Do Grid Variance Analysis on the list of areas that meet your zoning and locational requirements.
- Use this tool to narrow down your list to three target areas with the highest variance between the low and the mid of the market.

Search and Data Facilities

- PD Online
- Google, Google Maps, Google Earth
- Real estate websites
- Regional councils
- Newspapers and real estate brochures
- Real estate agents
- Talking with locals

Step 3 – Street and Property Focussed Research

Street Focussed Research

- Within each of the three target areas, drill down to the street level and identify target streets that better meet your criteria and highlight on your map.
- Highlight the streets in the target areas that you want to avoid, e.g. flood prone, steep, etc.
- Become an area expert!

Property Focussed Research – Deal Finding

- In your desired streets, drill down to an individual property level to identify those properties that are worthy of property specific due diligence.
- Use the various tools for finding individual properties of interest, including:
    - Property websites, e.g. realestate.com.au, Investar, Domain, Gumtree, etc.
    - Real estate agents and buyer's agents
    - Talking to locals
    - Letterbox drops
    - Door knocking



Targeted street due to zoning and larger land sizes, and target property was on the market.

Step 4 - Property Due Diligence

Strategy Due Diligence

- Undertake detailed due diligence on the individual properties of interest to confirm their subdivision potential, including potential opportunities and constraints such as:
    - Land size
    - Zoning and how it affects required land size
    - Block frontage width
    - Slope
    - Services location including sewer main, water main, stormwater, power, phone lines, gas
    - Position of the existing dwelling and other built structures and how this effects the subdivision potential
    - Capacity to move or demolish existing built structures

- Research environmental constraints including council overlays:
    - Flooding
    - Waterways
    - Overland flow
    - Native vegetation protection
    - Bushfire prone
    - Koala habitat
    - Slip prone
    - Acid sulphate soil
    - Cultural heritage
    - Demolition control
    - Slope



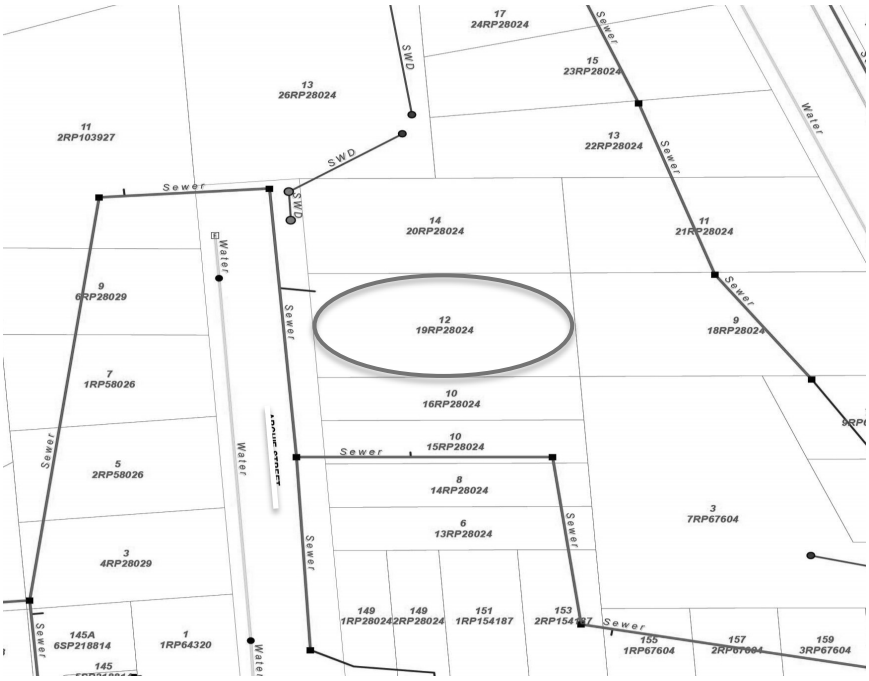
Council flood overlay map did not reflect the significant drainage line at the rear of the property.

- Research site-specific constraints including:
    - Significant trees
    - Soil type – swelling and cracking clays
    - Rock
    - Contaminated site
    - Easements – sewer, power, access ways,
    - Encroachments – survey site
    - Covenants
    - Caveat
    - Notation on registered survey plan
    - Neighbour disputes
    - Council show cause notices
    - Heritage listed buildings
    - Above ground infrastructure at the front of the property – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mailboxes, car parks, parking meters, substations
    - Underground infrastructure – manholes, disused septic tanks, buried water tanks, Telstra pits

- Capacity of services – electricity, sewer, water, storm water, and the need to upgrade these for your strategy
- Shared services between neighbouring properties – e.g. combined sewer drain
- Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units / apartments / commercial, etc.
- Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours.
- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Earthquake, tsunami, sea level rise
- Crime rate



Due diligence revealed: 1 = Demolition control, house at front that must be retained; 2 = Significant gully / drainage line that may have flood implications; 3 = Buried oil tank and asbestos lined garage that needed to be removed; 4 = Power pole that may affect access.



Services location diagram revealed sewer at front of property, water main across the road which would require an under road bore to access, storm water at end of street, Telstra at front.

- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.
- Use the various tools for researching individual properties including:
    - Council and council websites
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Town planners
    - Locals and neighbours
    - Surveyor and engineer

General Property Due Diligence

- The general property due diligence items should be researched in the early stages of reviewing target properties. They may need to be revisited and further researched in greater detail during the conditional period of the contract, if you plan to proceed to contract and keep or relocate any of the existing structures:
    - Illegal building works onsite – structure not council approved
    - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety
    - Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat
    - Renovation works not council approved, not done to the building code, or done by appropriately licensed or qualified persons
    - Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation

Step 5 – Your "A" Team

The Initial Team

- Building and pest inspector
- Soil tester
- Lawyer that specialises in development
- Moneylender or broker
- Town planner
- Civil engineer that will help with design, planning, feasibility and contracting
- Land surveyor
- Hydraulic engineer
- Geotechnical engineer
- Real estate agent / purchasing agent
- Valuer

The Subsequent Team

- Electrical engineer
- Quantity surveyor (for larger developments)
- Landscape architect
- Graphic artist
- Advertising agency
- Insurance broker
- Tree lopper

The Individuals

- Look for individuals that specialise in real estate development
- Ask for references or examples of their work / clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant, e.g. Building Assoc., Institute of Engineers, Law Society, Institute of Quantity Surveyors, etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' Team understand your time constraints
- Check on the progress of individuals to keep them on target

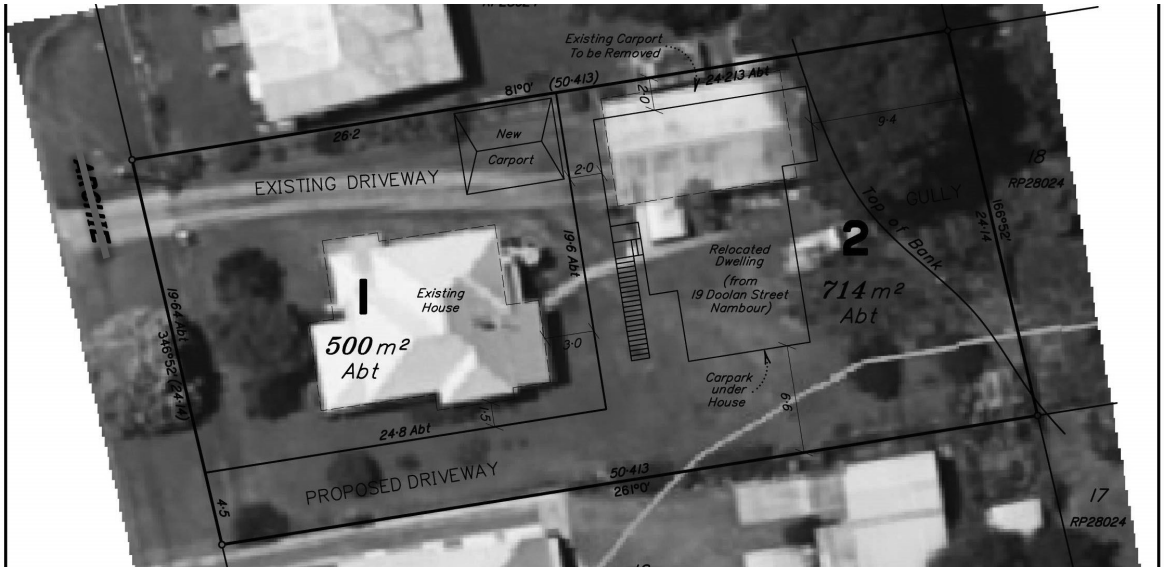
Step 6 – Initial Deal Review and Concept Design

Initial Deal Review

- Calculate the potential number of blocks able to be subdivided for the target sites that comply with your strategy and that your due diligence looks favourable.

Concept Design

- Do rough concept sketches (hand drawn or digital) to determine the potential layout options for the subdivision design, e.g.
    - 2 lots on 1 title
    - Boundary reconfiguration
    - Battle-ax subdivision
    - Full road frontage subdivision
    - Internal road subdivision
- Depict the driveway / access, layout and configuration of the blocks, block sizes, block dimensions, position of building structures being retained, location of services and site features that will impact on the design layout.
- Town planner to review your proposed design options to ensure compliance with council requirements.
- Specialist consultants liaised with as required, e.g. engineer, surveyor.



Subdivision concept plan: Retain house on Lot 1 = 500m^2, create battle-axe block Lot 2 = 714m^2 with potential house position shown. Gully top bank also shown.

Step 7 – Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the property
- Research the costs to complete the strategy
- Research the market value of the end product – rental and sale
- Research the demand for the end product – rental and sale
- Research the various exit strategies
- Research and create a realistic timeline of the entire project, including approvals phase, financing phase, construction phase, sales phase, etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies
- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility
- If you are having trouble getting your rough feasibilities to stack up, consider completing reverse engineered feasibilities on similar completed subdivision projects in your area to better understand the numbers and what they need to be to make a deal profitable

Detailed Feasibility

- Prepare numerous feasibility studies with varying options prior to committing to purchase a deal.
- Always enter full amounts in costings, not potential discounted prices.
- Calculate legal fees and establishment cost as well as any duties or taxes.
- Calculate expected sales income and balance it against the expected return.
- Does it meet a profit return target of 20% - this is your target for viability for a 3 lot plus subdivision. For a smaller subdivision the profit return may be less due to economy of scale. You have to determine what profit you are prepared to accept for the cost, time, risk, cash input and management required.
- Visit other development sites and analyse their data; land price, location, etc.
- Talk to real estate agents about developments in your area.
- Make timelines realistic – allow for inclement weather or unforeseen hold ups.

- Estimate timeframes for how long it will take to gain any returns.
- If your feasibility studies show that your project is not financially viable, review the costings with your civil engineer. If it is still not viable - DO NOT proceed.
- Assess what the council planning regulations and constraints may be.
- Assess what the civil engineering requirements and constraints may be.
- Continually update and review your detailed feasibility as your costs are updated with each new quote, or as more information comes to light.
- Assess what the tax implications of your project may be.

Purchasing, Finance Fees and Charges, and Hold Costs

- Property purchase cost
- Due diligence costs (building and pest, soil report, specialist reports)
- Conveyancing and title search fees
- Stamp Duty (varies from State to State)
- Legal fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender
- Accountancy fees
- Interest on finance
- Insurances
- Property management fees, if tenanted
- General site maintenance, e.g. mowing, repairs

Approvals, Development, and Sales Costs

- Application and lodgement fees (council development approval and operational works and service providers)
- Consultant fees (town planner, designer, engineers, specialist consultants / reports)
- Site survey

- Construction of actual development (work out a per lot rate) – including services upgrade and installation, road / driveway, drainage works, retaining, landscaping, fencing, lighting, etc.
- External road works levies
- Upgrade to services fees
- Monthly consultant and construction progress payments
- Development management fee – usually paid to you, the developer
- Council headworks / contribution fees per lot
- Final surveying
- Titling costs, including plan sealing fees
- Advertising and marketing costs
- Legal fees on the sale of lots
- Sales commissions
- Maintenance upon completion
- Annual council rates
- Land taxes (can vary from State to State)
- Insurance to cover the entire development during and after construction
- Sundry costs – allow a little extra for any additional costs that you may incur
- Body corporate fees (if applicable)

Step 8 – Choosing Your Site

Choosing your site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 9

Ensure Ownership Structure is Setup

- Ensure the ownership structure setup is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications.

- Types of structures include:
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 9 – Negotiating and Settling on the Land Purchase

Initial Stages of Acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

Negotiating the Land Purchase

- Prepare the contract for the purchase of the land
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- Include a special condition clause in the contract for the seller to sign development applications
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing



Negotiated with the owner and included in the special conditions of the purchase contract for the owner to rent back the house after settlement, owner to sign any applications needing to be lodged prior to settlement, and purchaser to conduct further due diligence.

Process Upon Acceptance of Offer

- On signing a contract ensure that you organise a cover note for Public Liability Insurance on the site if it is land only, or take out Building and Public Liability Insurance if it is house and land. Consider if contents insurance is also required, e.g. furnished property, or property with a body corporate
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches
- Meet on site with key consultants to finalise due diligence

- Carry out required inspections, tests, and reports, e.g. build and pest, soil test, site survey, specialist reports like traffic, flood, etc.
- Coordinate finance approval
- Obtain quotes for all works required




Flood study and report completed by engineer on gully at rear of property.

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage consultants, contractors, etc.
- Consult progress designs and reports
- Conduct specialist assessments and reports
- Lodge approval applications

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement.
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be, based on the contract.
- Make sure your lawyer does a final land title search the day prior to settlement.
- If the property is tenanted, consider if landlord tenant protection insurance is warranted, and if so take it out.

- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment.
- Have electricity account changed to your name if vacant possession on settlement.

Step 10 – Finance

Securing Finance

- Determine your personal finance capability.
- Make a preliminary finance application.
- Look for a lender or broker that specialises in real estate development.
- Ensure that you deal with a lender / broker that understands your needs.
- Ensure that contracts are subject to finance and DA approval if you can negotiate it.
- Determine interest rates, charges and fees and negotiate the terms.
- Lodge your application with a commercial finance broker or department.
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire subdivision project, not just the initial property purchase.
- Make sure that you include all the relevant documentation in your application.
- Advise finance broker / institution that the property is under contract and subject to finance and potentially other conditions – provide them with a copy of the contract.
- Complete a finance application submission and present it to the broker.

What to Include in your Application for Finance

- Introduction
- Financial proposal / commitment
- Site information – mapping, description, zoning
- Surveyor's plan of the site
- Preliminary design or plans and submission information
- Environmental factors report –traffic flow, landscaping, land usage, etc.

- Development Application letter
- Building quotes or contracts
- Concept design description and an architect's perspective drawings
- Demographic and target market for sales
- Complete financial analysis of costs, expenses and projected profits
- Cash flow analysis
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your development experience, financial history, assets and cash flow.
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance.
- Offer the development land as your security but be wary of cross securitisation with other property you own.

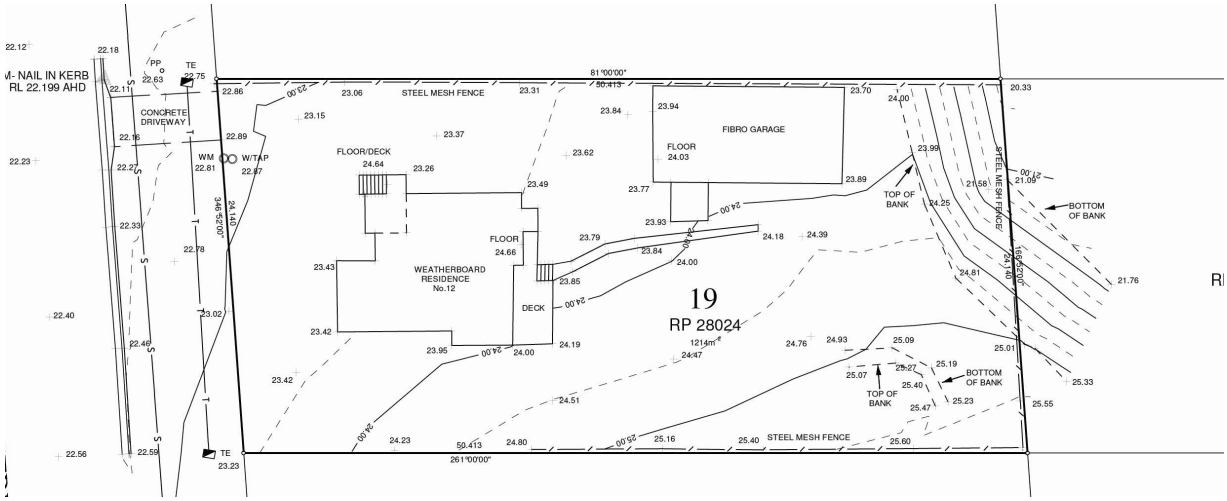
Finance Approval

- Read and make sure you understand your loan documents and fees.
- Instruct your lawyer to perform title searches on the day of settlement.
- Arrange a time and date for your lender to present your cheque.
- Instruct engineer and consultants to commence work – ask for written confirmation.
- Approval may be granted on the condition that a percentage of lots are sold in pre-sales prior to granting further development finance.

Step 11 – Detailed Design and Mapping

Mapping

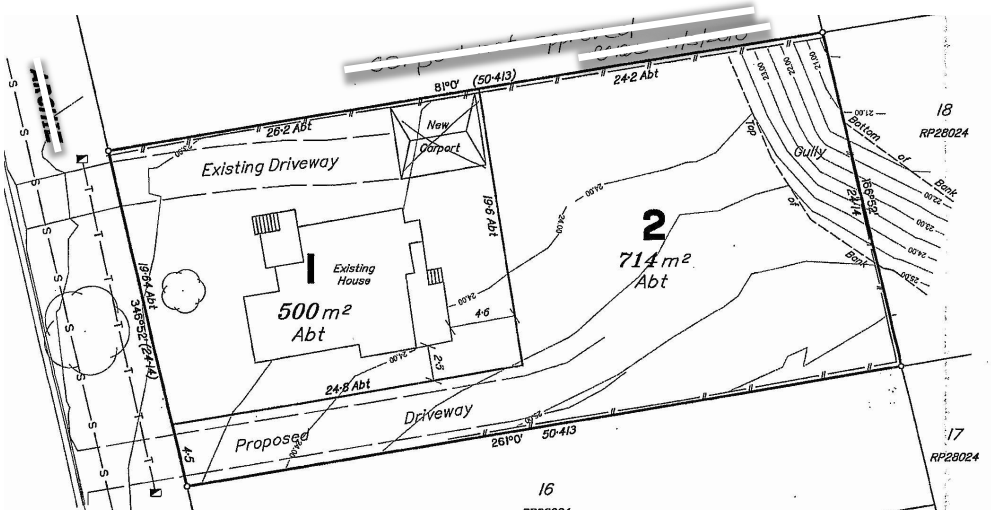
- Enlist a land surveyor to establish the boundaries of any land purchases.
- Land surveyor will map out the development site when approval is granted.
- Land surveyor will re-survey boundaries and confirm on plans and presales contracts.



Site contour and detail survey plan, including services location.

Initial Design

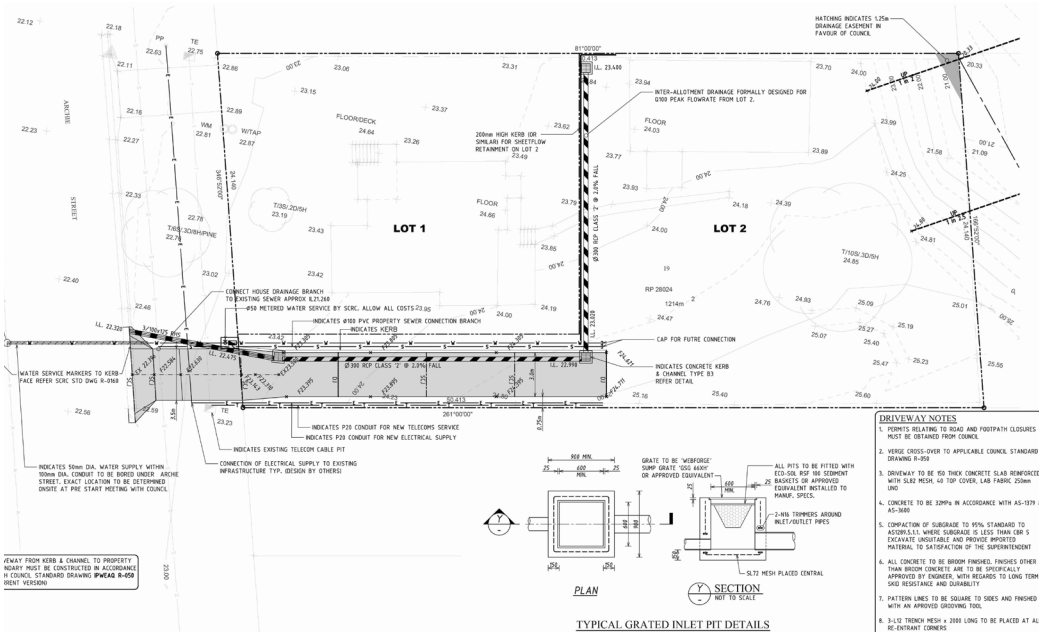
- Base your initial design on the preferred concept plans prepared during your due diligence phase.
- Select a civil engineer.
- Prepare designs and documentation to lodge a Development Application for the initial design.
- Prepare hydraulic engineer plans including drainage, water management, and site plumbing.
- Where your subdivision application is required to be publicly advertised, or where the immediate neighbours are notified, liaise with immediate neighbours during the design phase to resolve any potential issues and incorporate solutions into the initial design.
- Depending on the size of the subdivision, a quantity surveyor may establish a budget and timeline for the development.



Design of 2 lot subdivision included in development application lodged with council.

Detailed Design

- Develop the detailed design and construction drawings for Operational Works Approval, generally submitted to council by the civil engineer.
- Electrical engineer will coordinate their design with that of the civil engineer.



Construction drawing for operational works approval showing driveway design, services location, retaining, substantial inter-allotment drainage and pits to manage storm water, and drainage easement that was to be created in the gully based on the floor study results.

Meeting with the Civil Engineer - What You Will Need to Take Along

- Description of the site
- Dimensions of the site
- Some photographs to indicate the lay of the land
- A design brief that includes information about:
    - Average lot sizes
    - Quantity of lots
- Road widths
- Public pathways
- Cut and fill
- Park designations, if required by council
- Covenants
- Utilities access – water, electricity, gas, optic cable
- Design features
- Landscaping
- Site survey plan
- Examples of any subdivisions or the concept you want to create
- A follow-up site visit with the engineer is highly recommended

What the Civil Engineer Will Come Back to You With

- A design brief that includes information about:
    - Numbered lots
    - Lot sizes
- Road layouts
- Designated park areas
- Layout of power supply
- Layout of water reticulation
- Layout of storm water and drainage
- Timeframe for completion

- Estimate cost of the development construction

Step 12 – Applications, Permits, and Quotations

Development and Operational Works Approval

- Attend a pre-lodgement meeting with your local council prior to lodging applications.
- Prior to lodging your application with council, liaise with the neighbours again if you liaised with them in the initial design stage, so that you can update them on the finalised plans prior to lodging with council.
- Write a personal letter to the council town planner stating your specific requirements.
- Lodge a Development Application for the preliminary design.
- Submit operational works construction drawings for Operational Works / Building Approval of the - driveway, storm water, electricity services, etc.
- Operational Works may be a separate approval process or it may be part of the initial development approval, depending on the council.
- The council town planner will assess the application in accordance with the town plan's zoning guidelines. If additional information or amendments are required, an information request may be made by council.
- The application may need to be advertised to the general public, or to the immediate neighbours depending on your council requirements and the level of assessment of your application, e.g. code assessable or impact assessable.
- If your submission is satisfactory it will be presented before the Town Planning Committee in council, or to a council meeting, depending on the nature of your application and the particular council.
- Development approvals will be issued in writing from the Planning Authority.
- Understand any terms and conditions that the approval may contain.
- Council engineering department will assess the Operational Works application, issue an information request, and once satisfied with the designs will issue an Operational Works Approval. Again, ensure you understand all conditions.

Quotations

- Civil engineer calls for tenders on construction while awaiting operational works building approval.
- Lead civil contractor is selected from tender applications and a contract is negotiated.
- For smaller subdivisions, you may coordinate the tendering or quoting process and individual contractors may be engaged, instead of a single lead civil contractor.
- Contractors to supply cost estimates for all design and building services.
- For larger projects that require commercial finance, enlist a quantity surveyor to estimate and monitor construction budgets.
- Compare individual contractor quotations with the civil engineer's estimates.
- Ensure tender contracts and documents and quotes don't include any unusual clauses.
- Update feasibility analysis based on quotes.

Step 13 – Implementation of Capital Works

Civil and Building Contracts

- Call for tenders / quotes and negotiate a contract with the best one.
- Obtain copies of contractor's licences and insurances to ensure that they are qualified to do the works and that they have the relevant insurances, and that all documents are current and will remain current for the duration of your project.
- Conduct searches on the contractor's licences with the relevant building industry authority in your State to confirm their status and history.
- For company entities, conduct searches to confirm their history.
- Ensure that you understand your contract documents thoroughly.
- Seek legal advice if necessary for anything that you are unclear about.
- Clarify the terms of progress payments in the contract if any.
- Clarify what the builder / civil contractor's insurance will cover.
- Clarify contract date commencement and conclusion and your rights.
- Ensure that the contract has been completed properly and there are no blank spaces.

- Contracts should clearly state:
    - Start and finish dates
    - Rates for variations
    - Liquidated damages if the project runs late
    - A defects liability period
    - A dispute resolution process
    - A clear and concise contract price
    - A list of prime cost allowances

Construction Phase

- Quantity surveyor monitors progress payments during construction for the larger projects. For smaller projects you may be the one monitoring progress payments, so ensure you know what is being claimed and what works have been done.
- Ensure that progress payments reflect work completed on the site.
- Once the building or civil contract is signed, the builder or civil contractor is in charge of the site.
- Make sure you always advise the builder / lead civil contractor when you are on site.
- Ensure all inspections are undertaken as required by the project engineer, council, services and road authorities at the required stages as per the approval notices.
- Any comments or concerns should initially be made to the engineer prior to the builder or lead civil contractor.



Installation of Lot 2 driveway, drainage pits, services, property power pole, fencing, and frontage turf.

Completion Phase

- Review all of your approval documents and confirm that every condition has been fulfilled.
- Civil engineer and consultants carry out a final inspection upon completion.
- Complete a builder's / civil contractor's defect list.
- Re-inspection of repaired defects.
- Civil engineer issues a Certificate of Practical Completion to authorise the release of any retention money being held by council.
- Council will inspect the works to ensure it complies with the development and operational works approval.
- Service providers and other authorities may also be required to inspect the site on completion e.g. Main Roads Authority.
- As-construct-plans are produced by the civil contractor, plumber, electrician, engineers and submitted to council.
- Quantity surveyor produces the final account report.
- Surveyor re-surveys the site and prepares a final plan of survey in preparation for titling.



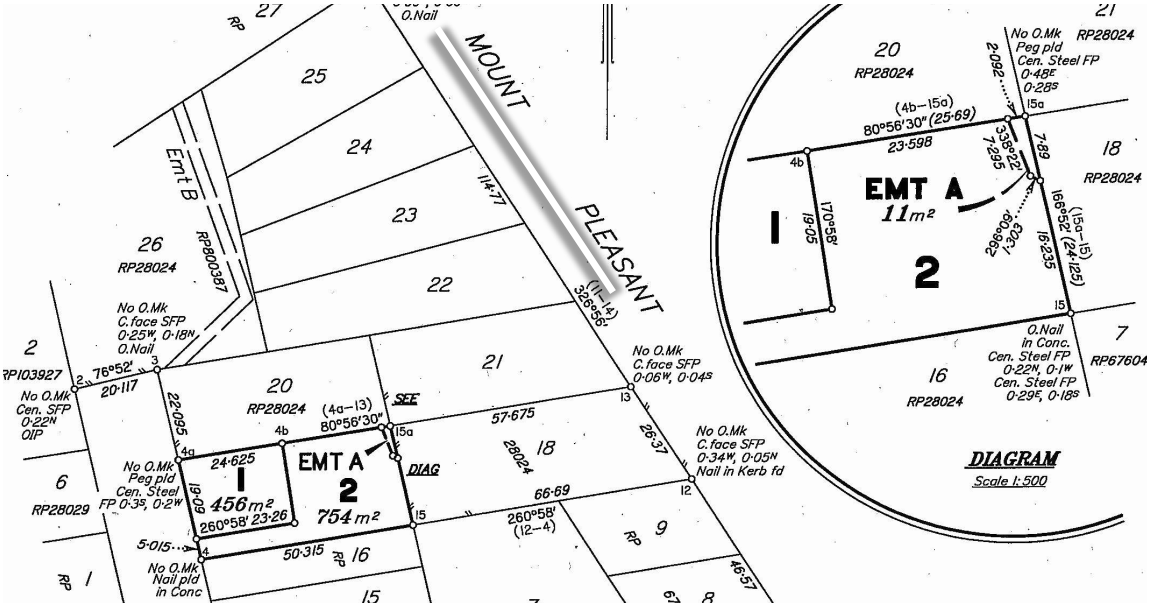
Finished product with subdivided rear block (Lot 2) built on and landscaped.

Step 14 – Issuing of Title

Council, Bank and Titles Department Approval

- Final plan of survey is prepared by surveyor showing all lot boundaries, boundary measurements, and lot areas.
- Survey plans are submitted to council for plan sealing. Either yourself, your solicitor, or your surveyor may coordinate this.
- Council plan sealed documents are sent to your financier / bank for mortgagee consent. This is because the bank holds the security over the original property that you have now altered, hence the bank needs to consent to the changes prior to the titles department cancelling the original title and creating the new titles. Either yourself, your solicitor, or your mortgage broker will coordinate this.
- Plan sealed documents and mortgagee consent documents are lodged with titles department.
- Titles department review the documentation, and if warranted issue a non-compliance request that you first need to attend to before new land titles are registered.

- New land titles are registered and any presale contracts are now able to settle, and new sale contracts can be entered into under a standard land sale contract arrangement.



Final survey plan lodged with Titles Department showing the newly created lot 1, lot 2, and drainage easement EMT A. Note the change in lot sizes versus the initial plans.

Step 15 – Marketing Your Subdivision

Advertising and Marketing Costs

- Sign writers or graphic designer to design signage / branding
- Perspective artist to create an image of what the development will look like
- Printers to print brochures or print media for promotion of the development
- Advertising agency that specialises in real estate promotion
- Media costs for advertising in newspapers and online etc.
- Keep a record of advertising rates for various sizes
- Real estate agents will expect you to pay for your own advertising

Sales Agent Selection

- Research real estate agents who have experience selling the type of product you are producing, in the area you are producing it.

- Interview the shortlisted agents and have them submit a marketing proposal to you.
- Call previous clients to confirm the quality of the agent/s.
- Confirm the agent's capability to sell off the plan if this is part of your strategy.
- Engage your preferred agent on a short exclusive period initially in order to assess their capabilities, and extend their contract if they are performing to your satisfaction.
- Consider using markers to sell your product if required.

Commencement of Marketing

- Create a pictorial signboard of the development as soon as it commences using artist impressions.
- List features that will attract buyers based on your due diligence.
- Create a website for the project if warranted, and commence online marketing.
- On completion of works, have professional photographs taken, including aerial view photos if appropriate.
- Update marketing material with professional photos.
- Print brochures or other promotional media.
- Prepare a pricelist for presales.
- Make sure you direct ads at your target market so they generate inquiries.
- Monitor and record responses on marketing so that you know which media is most effective.
- Record contact details of interested parties so that you can direct market to them in the future.



Subdivided front lot (Lot 1) and house ready for sale



Subdivided rear lot (Lot 2) and house ready for sale

Site Sales

- Get lawyer to prepare a presales contract and disclosure document so sites can be sold off the plan (prior to titling).
- Ensure that any special clauses are included in this contract.
- A standard real estate sales contract can be used once the development is complete and the title plan is registered.
- Understand what your sales contracts mean and ask questions if necessary.
- Ensure sales contracts are filled out correctly by you and the purchaser.
- Ensure the deposit has been banked into the agreed account.

Step 16 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate.
- Determine the tax implications prior to beginning your development so that you understand your obligations.
- Put structures in place to minimise risk and maximise tax benefits.
- Determine the bank account to be used for carrying out the project.
- Create a system for filing invoices and recording all payments.
- Determine the land tax payable, if any, for the area you are looking at.
- Submit all relevant documents to your accountant on completion of the project.

Income Tax

- Record all of your expenses throughout the development process
- Understand your Income Tax obligations
- If Income Tax is payable, allocate those funds on completion of the project, so that you know they are available for when payment is required
- Pay Income Tax when required

GST (Goods and Services Tax)

- Understand your GST obligations

- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements) monthly or quarterly depending on your cash flow requirements

Step 17 – Celebrate your Learning and Project Review

Celebrate Your Learning and Profit

- At key milestones throughout the project, remember to celebrate your successes.
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced.

Project Review

- On completion of the project undertake a review.
- Complete an 'actuals' feasibility of the project, detailing the actual costs, income and profit margin.
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve.
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.

Development – Multi Units

The strategy of development is where council approval is obtained to change the use of a property; typically taking it to a higher, more intensive use. It may be to change it from a single dwelling house into a multi unit or townhouse site, or from a vacant block to an industrial shed complex, commercial offices, or a retirement village just to name a few. The process is very similar regardless of the end product, hence a multi unit/townhouse strategy will be the example used here. Once you have located a property, the process is to get development approval, building approval, undertaking construction, then titling.

As with subdivision, the process of development approval for multi units will vary slightly depending on the size of the project. It will also vary somewhat between different councils, so modify this checklist according to the specific terminology and process used for your council.

The real deal development example that is going to be used throughout the checklist is a three townhouse project. It highlights many of the issues raised, covers all of the required stages and will give you a great real life snapshot of doing a townhouse development deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- ✓ Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?

- What is your time availability?
- How far are you prepared to travel?
- Is your strategy to hold or sell?
- What is your level of experience?
- What is your risk profile?

- Based on your personal circumstances determine what type of region you are targeting including
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. regional area, within a distance that you are prepared to travel to, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations, research their specific characteristics including:
    - Population size
    - Infrastructure spending
    - Supply and demand
    - Rental vacancy rate
    - Council's attitude to development
- Based on the research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns.
- For each of your 3 target locations, research the population growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details, etc.

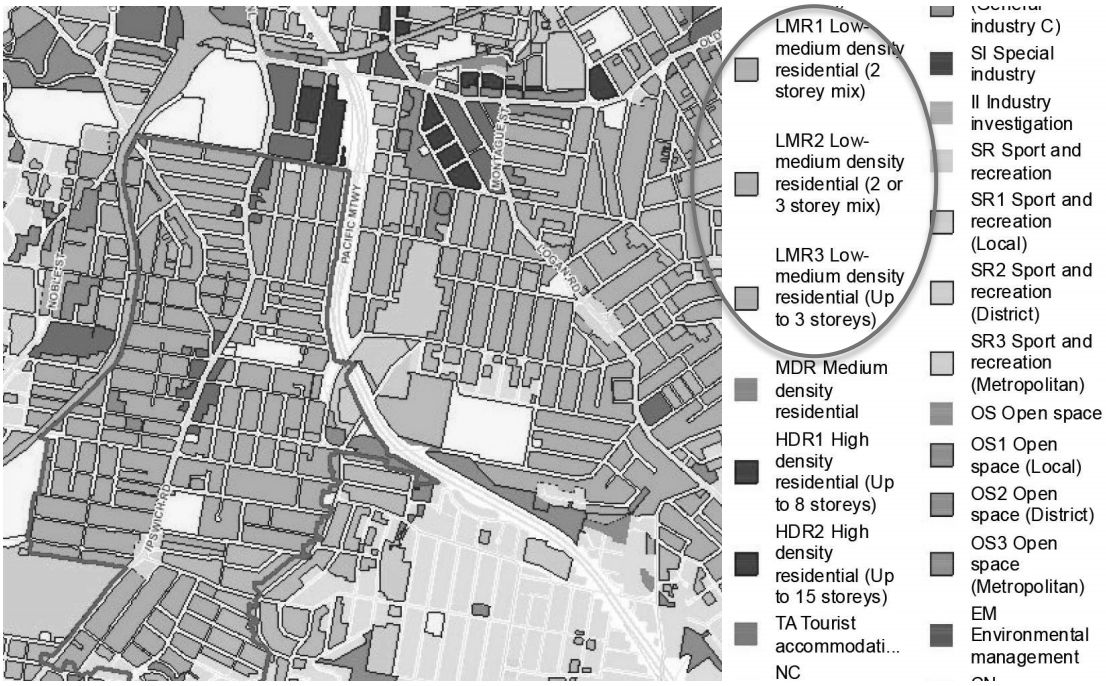
Step 2 – Strategy Research and Mapping

Strategy Research

- For each of your three target locations, educate yourself on what the market wants, where it wants it, why, and how it fits your chosen strategy, e.g. multi unit development.
- Research and visit other multi unit developments in those locations. Learn from them, and record characteristics and features, prices, marketing strategies, marketing material, consultants involved, etc.
- For each of the target locations, consult (in person or over the phone) with local town planner/s to determine the specific site requirements that need to be complied with for your chosen strategy including:
    - What is the zoning requirement to do multi units?
    - What is the minimum land size requirement?
    - What is the formula for calculating the density of units allowable?
    - What is the minimum block frontage width requirement?
    - What is the impact of site slope?
    - What is the site cover requirement?
    - What are the car parking requirements, private open space, and setback requirements?

Mapping

- Obtain council zoning maps from the regional authorities.
- Identify the location of the zones you are interested in, and highlight them on the map.
- Research and identify areas where the zonings have changed, e.g. old inner city areas with single houses that were previously zoned for single housing and now rezoned for multiple dwellings.
- Research the infrastructure, amenities, schools, transport, etc., of relevance and highlight them on your map.
- Research changes in infrastructure planned for the future and depict on map.



Zoning map of the target location – the bright pink areas were the target for low to medium density residential zoning.

Grid Variance Analysis

- Research the price ranges (low, medium, and high), of your areas of interest so you can make comparisons.
- Do Grid Variance Analysis on the list of areas that meet your zoning and locational requirements.
- Use this tool to narrow down your list to three target areas with the highest variance between the low and the mid of the market.

Search and Data Facilities

- PD Online
- Google, Google Maps, Google Earth
- Real estate websites
- Regional councils
- Newspapers and real estate brochures
- Real estate agents
- Talking with locals

Step 3 – Street and Property Focussed Research

Street Focussed Research

- Within each of the three target areas, drill down to the street level and identify target streets that better meet your criteria and highlight on your map.
- Highlight the streets in the target areas that you want to avoid, e.g. flood prone, steep, etc.
- Become an area expert!

Property Focussed Research – Deal Finding

- In your desired streets, drill down to an individual property level to identify those properties that are worthy of property specific due diligence.
- Use the various tools for finding individual properties of interest, including:
    - Property websites, e.g. realestate.com.au, Investar, Domain, Gumtree, etc.
    - Real estate agents and buyer's agents
    - Talking to locals
    - Letterbox drops
    - Door knocking



Targeted the street due to zoning, close to services and transport, mostly detached houses, leafy street and target property was on the market – deceased estate.

Step 4 - Property Due Diligence

Strategy Due Diligence

- Undertake detailed due diligence on the individual properties of interest to confirm their development potential, including potential opportunities and constraints such as:
    - Land size
    - Zoning and how it affects required land size
    - Block frontage width
    - Slope
    - Services location including sewer main, water main, storm water, power, phone lines, gas
    - Position of the existing dwelling and other built structures and how this effects the development potential
    - Capacity to move or demolish existing built structures
    - Site cover of the existing dwelling if intending to retain
    - Height restrictions for new build

- Research environmental constraints including council overlays:
    - Flooding
    - Waterways
    - Overland flow
    - Native vegetation protection
    - Bushfire prone
    - Koala habitat
    - Slip prone
    - Acid sulphate soil
    - Cultural heritage

- Demolition control
- Slope



Council overland flow flood overlay map. Target property was unaffected.

Research site-specific constraints including:

- Significant trees
- Soil type – swelling and cracking clays
- Rock
- Contaminated site
- Easements – sewer, power, access ways,
- Encroachments – survey site
- Covenants
- Caveat or other encumbrances
- Notation on registered survey plan
- Neighbour disputes
- Council show cause notices

- Heritage listed buildings
- Above ground infrastructure at the front of the property – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
- Underground infrastructure – manholes, disused septic tanks, buried water tanks, Telstra pits
- Capacity of services – electricity, sewer, water, storm water, and need to upgrade for your strategy
- Shared services between neighbouring properties, e.g. combined sewer drain
- Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units / apartments / commercial, etc.
- Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours.
- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate



Target property – front and back, post-1946 build so able to be demolished. Potential 3 unit development site.

- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, it may be the time that you do more thorough research on some of these less obvious constraints.
- Use the various tools for researching individual properties including:
    - Council and council website,
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Town planners
    - Locals and neighbours
    - Surveyor and engineer

General Property Due Diligence

- The general property due diligence items should be researched in the early stages of reviewing target properties. They may need to be revisited and further researched in greater detail during the conditional period of the contract, especially if you plan to keep any of the existing structures, or relocate them to another property:
    - Illegal building works onsite – structure not council approved

- Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety
- Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat
- Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified persons
- Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation

Step 5 – Your "A" Team

The Initial Team

- ✓ Building and pest inspector
- ✓ Soil tester
- ✓ Lawyer that specialises in development
- ✓ Moneylender or broker
- ✓ Town planner
- ✓ Building designer or architect
- ✓ Civil engineer
- ✓ Geotechnical engineer
- ✓ Structural engineer
- ✓ Hydraulic engineer
- ✓ Specialist consultants, e.g. traffic, arborist, ecologist, heritage, cultural heritage, acoustic, bushfire,
- ✓ Land surveyor
- ✓ Landscape architect
- ✓ Builder
- ✓ Real estate agent / purchasing agent
- ✓ Sales agent / marketers if you are planning to sell
- ✓ Property manager if you are planning to rent or sell to an investor
- ✓ Valuer

The Subsequent Team

- Specialist engineers, e.g. electrical, mechanical, acoustic, traffic, environmental
- Building certifier
- Energy efficiency consultant
- Project / development manager (depending on the size of the project)
- Plumber and electrician to disconnect services
- Demolition contractor
- Asbestos removal contractor (if asbestos is present)
- Tree lopper
- Quantity surveyor (for construction works on larger developments)
- Interior designer / colour consultant
- Graphic artist
- Advertising agency
- Body corporate manager
- Quantity surveyor (Body corporate sinking fund forecast and insurance forecast)
- Insurance broker
- Staging consultant
- Depreciation specialist (quantity surveyor) - if renting end product or selling to an investor

The Individuals

- Look for individuals that specialise in real estate development
- Ask for references or examples of their work / clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant, e.g. Building Assoc., Institute of Engineers, Law Society, Institute of Quantity Surveyors, etc.
- Ensure professionals are completely familiar with local and State regulations

- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress of individuals to keep them on target

Step 6 – Initial Deal Review and Concept Design

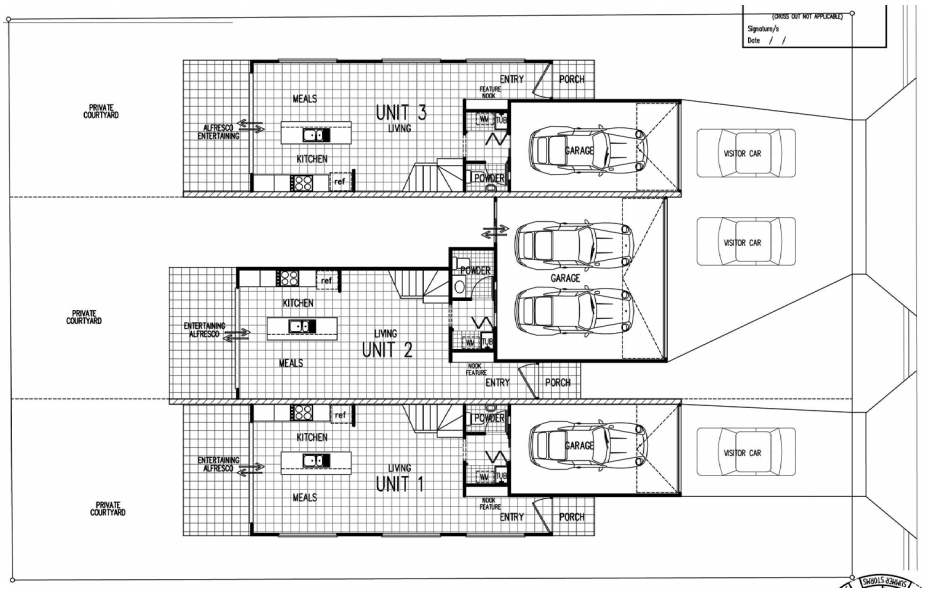
Initial Deal Review

- For each of the target sites that comply with your strategy, and for which your due diligence looks favourable, calculate:
    - Potential number of dwellings able to be developed and number of bedrooms in each, if that is part of the density calculation in your council. Also if any need to be disabled accessible.
    - Number of new dwellings factoring in the option of keeping the existing dwelling
    - Site cover allowance and what that equates to per dwelling
    - Number of car parks required, including visitor car parks
    - Maximum height allowance and what that means for the site layout, e.g. single storey, two storey, or multi storey
    - Private open space requirement and building set-back requirement
    - Configuration options, including units, townhouses, detached dwellings, etc.

Concept Design

- Do rough concept sketches (hand drawn or digital) to determine the potential layout options for the development design.
- Depict the options regarding driveway / access, layout and configuration of the dwellings, position of private open space, position of building structures being retained, location of services and site features that will impact on the design layout, e.g. sewer main easement, significant trees, etc.

- Town planner and building designer / architect to review the proposed design options to ensure compliance with council requirements, and design alternative options if required.
- Specialist consultants liaised with as required, e.g. civil engineer, surveyor.



Two options to develop the site – a) 3 x 3 bedroom townhouses (above), b) 4 x 2 bedroom townhouses.

Step 7 – Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the property.
- Research the costs to complete the strategy.
- Research the market value of the end product – rental and sale.
- Research the demand for the end product – rental and sale.
- Research the various exit strategies.
- Research and create a realistic timeline of the entire project, including approvals phase, financing phase, construction phase, sales phase, etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies.
- Complete due diligence on your capacity to finance the various strategies.

- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility.
- If you are having trouble getting your rough feasibilities to stack up, consider completing reverse engineered feasibilities on similar completed projects in your area to better understand the numbers and what they need to be to make a deal profitable.

Detailed Feasibility

- Prepare numerous feasibility studies with varying options prior to committing to purchase a deal.
- Always enter full amounts in costings, not potential discounted prices.
- Calculate legal fees and establishment cost as well as any duties or taxes.
- Calculate expected sales income and balance it against the expected return.
- Does it meet a profit on cost target of 20% - this is your target for viability for a 3 dwelling development or larger. For a smaller development the profit on cost is likely to be less due to economy of scale. You have to determine what profit you are prepared to accept for the cost, time, risk and management required.
- Visit other development sites and analyse their data; unit price, rent, location, buyer profile, etc.
- Talk to real estate agents about developments in your area.
- Make timelines realistic – allow for inclement weather, financing delay, building delay, delay in sales, and unforeseen hold ups.
- Estimate timeframes for how long it will take to gain any returns.
- If your feasibility studies show that your project is not financially viable, review the costings with your consultants, builder, and sales agent/s. If it is still not viable - DO NOT proceed.
- Assess what the council planning regulations and constraints may be.
- Assess what the building, civil engineering, and services requirements and constraints may be.
- Continually update and review your detailed feasibility as your costs are updated with each new quote and as more information comes to light.
- Assess the tax implications of your project, e.g. GST, Capital Gains Tax, Income Tax, Land Tax.

Purchasing, Finance Fees and Charges, and Hold Costs

- Property purchase cost
- Due diligence costs (building and pest, soil report, specialist reports)
- Conveyancing and title search fees
- Stamp Duty (varies from State to State)
- Legal fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender
- Accountancy fees
- Interest on finance
- Insurances
- Property management fees if tenanted
- General site maintenance, e.g. mowing, repairs

Approvals, Development, Titling and Sales Costs

- Application and lodgement fees (council development approval, operational works, building approval, and service providers)
- Consultant fees (town planner, building designer / architect, engineers, landscape architect, building certifier, quantity surveyor, specialist consultants / reports)
- Site survey
- Demolition, disconnection of services and site clearing
- Construction – including building construction, services upgrade and installation, driveway and parking, drainage works, retaining, landscaping, fencing, etc.
- External road works levies
- Upgrade to services fees
- Monthly consultant and construction progress payments
- Project / Development management fee – usually paid to you, the developer if not outsourcing management

- Council head works / contribution fees per unit
- Final surveying
- Body corporate setup and community management statement preparation
- Body corporate sinking fund and insurance reports
- Body corporate building insurance on completion
- Titling costs, including plan sealing fees
- Advertising and marketing costs
- Staging fee
- Legal fees on the sale of units
- Sales commissions
- Maintenance upon completion, e.g. watering, mowing
- Annual council rates
- Land taxes (can vary from State to State)
- Insurance to cover the entire development during and after construction
- Sundry costs – allow extra for any additional costs that you may incur

Step 8 – Choosing Your Site

Choosing Your Site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 9

Ensure Ownership Structure is Setup

- Ensure the ownership structure is setup and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications.
- Types of structures include:
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 9 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

Negotiating the property purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- Include a special condition clause in the contract for the seller to sign development applications
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing

Process Upon Acceptance of Offer

- On signing a contract ensure that you organise a cover note for Public Liability Insurance on the site if it is land only, or take out Building and Public liability Insurance if it is house and land. Consider if contents insurance is also required, e.g. furnished property, or property with a body corporate
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly

- Advise your finance broker / financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site with key consultants to finalise due diligence
- Carry out required inspections, tests, and reports, e.g. build and pest, soil test, site survey, specialist reports like traffic, flood, etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage consultants, contractors, etc.
- Consult progress designs and reports
- Conduct specialist assessments and reports
- Lodge approval applications

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement.
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be, based on the contract.
- Make sure your lawyer does a final Land Title Search the day prior to settlement.
- If the property is tenanted, consider if landlord tenant protection insurance is warranted, and if so take it out.
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment.

- Have electricity account changed to your name if vacant possession on settlement.

Step 10 – Finance

Securing Finance

- Determine your personal finance capability.
- Make a preliminary finance application.
- Look for a lender or broker that specialises in real estate development.
- Ensure that you deal with a lender / broker that understands your needs.
- Ensure that contracts are subject to finance and DA approval if you can negotiate it.
- Determine interest rates, charges and fees and negotiate the terms.
- Lodge your application with a commercial finance broker or department.
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire development project, not just the initial property purchase.
- Make sure that you include all the relevant documentation in your application.
- Advise finance broker / institution that the property is under contract and subject to finance and potentially other conditions – provide them with a copy of the contract.
- Complete a finance application submission and present it to the broker .

What to Include in Your Application for Finance

- Introduction
- Financial proposal / commitment
- Site information – mapping, description, zoning
- Surveyor's plan of the site
- Preliminary design or plans and submission information
- Environmental factors report –traffic flow, landscaping, land usage, etc.
- Development application letter
- Building quotes or contracts
- Concept design description and an architect's / designer's perspective drawings

- Demographic and target market for sales
- Complete financial analysis of costs, expenses and projected profits
- Cash flow analysis
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your development experience, financial history, assets and cash flow.
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance.
- Offer the development land as your security but be wary of cross-securitisation with other property you own.

Finance Approval

- Read and make sure you understand your loan documents and fees.
- Instruct your lawyer to perform title searches on the day of settlement.
- Arrange a time and date for your lender to present your cheque.
- Instruct engineer and consultants to commence work – ask for written confirmation.
- Approval may be granted on the condition that a percentage of dwellings are sold in presales prior to granting further development finance.

Step 11 – Detailed Design and Mapping

Mapping

- Enlist a land surveyor to establish the boundaries of any land purchases.
- Land surveyor will map out the development site when approval is granted.

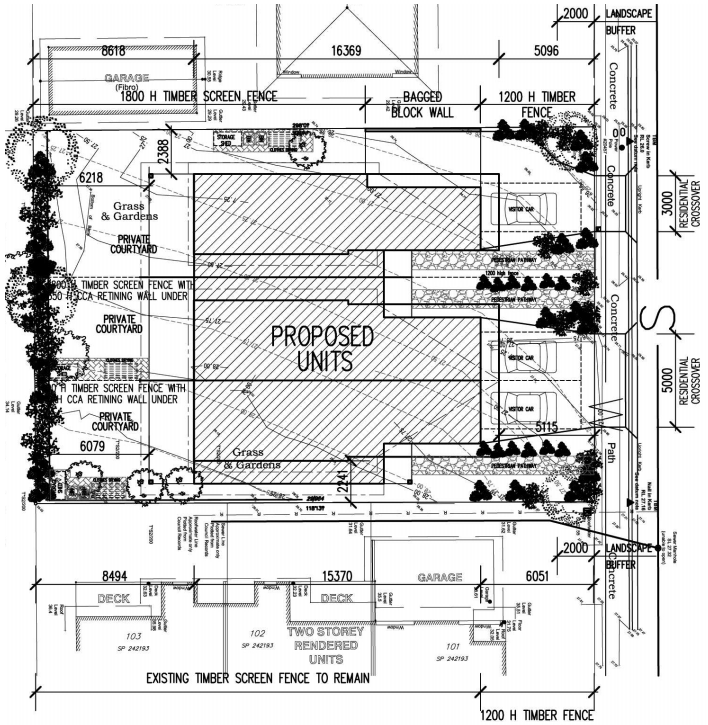
- Land surveyor will re-survey boundaries and confirm on plans and presales contracts.

Initial Design

- Base your initial design on the preferred concept plans prepared during your due diligence phase.
- Select an architect or building designer to design your proposed development, e.g. units, townhouses, etc.
- Where your development application is required to be publicly advertised, or where the immediate neighbours are notified, liaise with immediate neighbours during the design phase to resolve any potential issues and incorporate solutions into the initial design.
- Prepare designs and documentation to lodge a Development Application for the initial design.

Detailed Design

- Prepare civil and hydraulic engineer plans including storm water drainage, water management, erosion and sediment control plan, retaining design, etc., to lodge with the Development Application or Operational Works Approval.
- Develop the detailed design and construction drawings for Building Approval, involving the architect / building designer, structural, civil, and hydraulics engineers.
- Depending on the size of the development, a quantity surveyor may establish a budget and timeline for the development.



Proposed site plan for 3 townhouse development. Needed to factor in potential footpath resumption of front 700mm of land. Note the change in garaging design from the concept plan.

Selecting an Architect / Building Designer

- Make sure that they are a member of your State's Institute of Architects or building designer association.
- Meet and discuss your project.
- Discuss the range of services you require and if you do not understand the services – ask for an explanation.
- Ask for the fees that you are likely to have to pay – and for a quote once the project parameters have been determined.
- Make sure you feel comfortable with the architect / building designer and that you get the response you want.
- Ask to look at examples of projects that they have done and speak to former clients.
- Ask if they are using the same or similar design to your project in other projects – because you don't want to find yourself on the market selling a project where there is one almost identical down the road, or even in the next few suburbs.

Meeting With the Architect / Building Designer - What You Will Need to Take Along

- Description of the site
- Dimensions of the site
- Some photographs to indicate the lay of the land
- A design brief that includes information about:
    - Number of units and/or number of bedrooms per unit and/or gross floor area able to be developed
    - Covenants and easements
    - Utilities access – water, electricity, gas, optical cable
    - Design features
    - Landscaping
- Site survey plan
- Examples of any designs or concepts that you like

An Architect Can:

- Assist with the financial analysis and feasibility of a project
- Help to select a suitable site
- Plan your budget
- Prepare the project's schedule for building
- Design and plan your development
- Organise soil tests
- Obtain necessary building and local authority approvals
- Prepare working documents for building construction
- Lodge plans for Building Approval (BA)
- Help you to select a builder and call for tenders
- Help to negotiate a contract with your builder
- Contract administration throughout the construction process
- Follow up and attend authority meetings, and deal with issues
- Make site visits and supervise the construction process

- Advise on maintenance and warranties after completion of the project
- Monitor progress payments and variations to the contract
- Certify builder's claims less retention amounts and compile defects lists
- Issue the final building certificate and release of the retention of funds

Your Checklist When Using an Architect

- Ensure that the architect is a member of their institute of architects
- Double-check the plans and specifications ensuring that you understand them all
- Check inclusions of features and extras on the plans and specifications
- Check DA application documents
- Check all quotes and costs of the development and continually update the feasibility analysis
- Clarify what the architect is responsible for on the project and what they are not responsible for
- Check all contracts - their signing, contract price and terms

A Civil Engineer Can:

- Design documents relating to driveway, car parking and footpath design, vehicle turning circles, erosion and sediment control, retaining, cut and fill, storm water management, drainage, layout of power supply, etc.
- Obtain the necessary authority approvals
- Prepare specifications, schedules, quantities and estimates
- Complete the 'as constructed' set of drawings
- Carry out all instruction supervision and report to the client
- Provide estimates of the projects cost
- Supervise construction of their specifications

A Hydraulic Engineer Can:

- Design documents relating to water and waste management including:
    - Sewer drainage, gravitational drainage, pumps

- Vacuum systems
- Trade waste drainage and treatment plants
- Storm water drainage
- Rainwater down pipes and gutters

- ✓ Draw service to scale on design documentation
- ✓ Obtain the necessary authority approvals
- ✓ Prepare specifications, schedules, quantities and estimates
- ✓ Complete the 'as constructed' set of drawings
- ✓ Carry out all instruction supervision and report to the client
- ✓ Provide estimates of the project's cost
- ✓ Supervise construction of the specifications

A Quantity Surveyor Can:

- ✓ Advise client of budgets and costings – larger projects
- ✓ Prepare a Bill of Quantities for tax purposes
- ✓ Review approvals, contracts and quotes on behalf of commercial financiers
- ✓ Act on commercial financier's behalf to inspect building works and approve progress payments

Step 12 – Selecting a Builder

Builder Selection

- ✓ Get to know builders in your area and find out their per m^2 rate and what it includes.
- ✓ Your architect / building designer may offer you some recommendations.
- ✓ Check builder's licences and history to ensure they are qualified to build what you are proposing and that their history is clear and there are no disputes.
- ✓ Make sure you feel comfortable with the builder, that you get the response you want, and that they respond in a timely manner to your requests.
- ✓ Ask to look at examples of constructions that they have completed recently and also older projects to assess their workmanship quality over time.

- Speak to former clients of the builder.
- Determine the builder's workload to ensure they can give attention to your project.
- Request the builder's build timeframe for your project and potential start date.
- Confirm who will be supervising the onsite works, who are the main tradies, contractors and how long they have worked with the builder.
- Ask if they are building or have built the same or similar design to your project in other projects.
- Get builders to price DA plans:
    - Get the builder's advice on the plans to offer cost saving initiatives
    - Get a final fixed price quote and time contract from the builder

Builder's Checklist

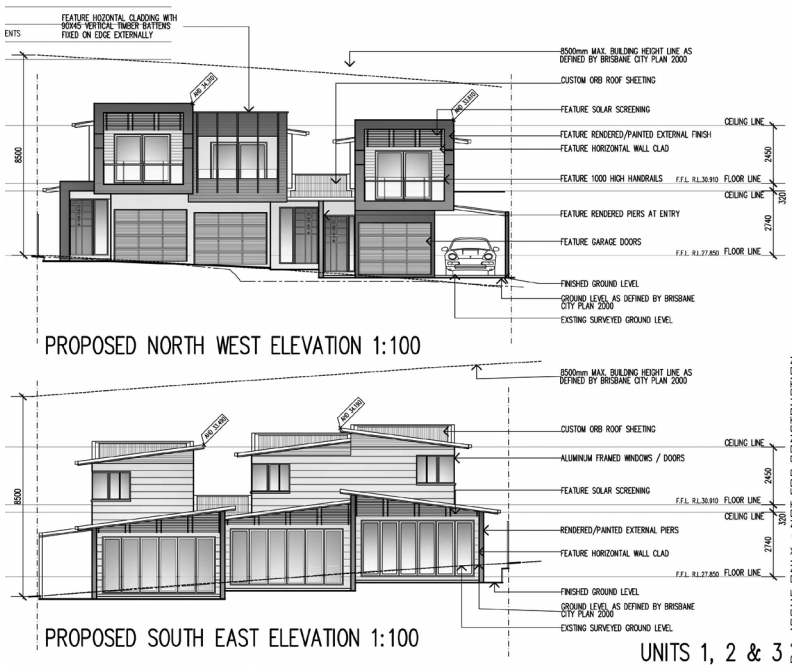
- Get a fixed price from the builder based on the working drawings.
- Ensure all contracts are signed and prices clearly specified and that you understand all contract conditions and clauses.
- Builder attends to the defects list.
- Builder will ensure that all rubbish is removed from the site upon completion.
- Builder hands over all guarantees, warranties, booklets and user manuals upon completion, plus inspection certificates.
- Builder receives retention funds upon completion.

Step 13 – Applications, Permits and Quotations

Development and Operational Works Approval

- Attend a pre-lodgement meeting with your local council prior to lodging applications.
- Prior to lodging your application with council, liaise with the neighbours again if you liaised with them in the initial design stage, so that you can update them on the finalised plans prior to lodging with council.
- Write a personal letter to the council town planner stating your specific requirements for Development Approval.
- Lodge a Development Application for the preliminary design.

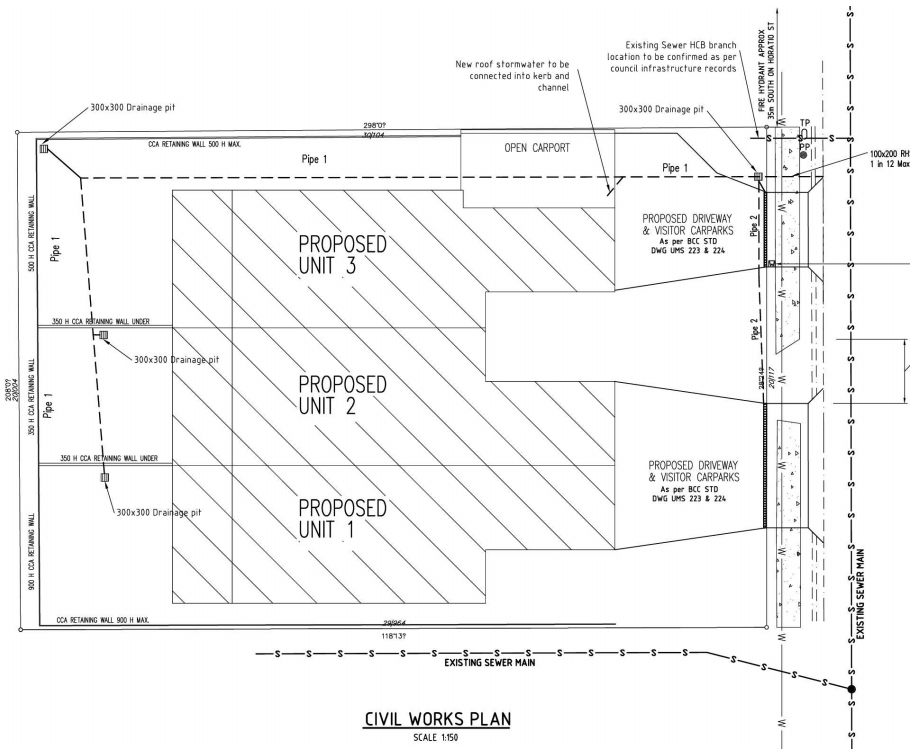
- Submit civil engineering designs for Operational Works Approval, either with the development approval or following development approval depending on your council process.
- The council town planner will assess the application in accordance with the town plan's zoning guidelines. If additional information or amendments are required, an information request may be made by council.
- The application may need to be advertised to the general public, or to the immediate neighbours depending on your council requirements and the level of assessment of your application, e.g. code assessable or impact assessable.
- If your submission is satisfactory, it will be presented before the Town Planning Committee in council, or to a council meeting, depending on the nature of your application and the particular council.
- Development approvals will be issued in writing from the Planning Authority.
- Understand any terms and conditions that the approval may contain.
- Council engineering department will assess the Operational Works application, issue an information request, and once satisfied with the designs will issue an Operational Works Approval. Again ensure you understand all conditions.



Plans lodged for Development Approval. Council required acoustic fence along southern boundary due to neighbours driveway on same side.

Building and Demolition Approval

- Submit hydraulics plans and construction drawings to council for plumbing approval.
- Submit design plans to utilities providers (water, sewer, electricity, phone) and main roads authority for approval – where required.
- Submit working drawings and full engineering plans, energy efficiency assessment and all other required documentation to the building certifier or council for building approval.
- Submit demolition application to council or building certifier for demolition approval or for the approval to move existing dwellings from site.
- Where house demolition or removal is to occur, submit applications to relevant authorities for approval to disconnect services, including electricity, sewer, water, gas, Telstra.
- Submit tree removal application with council – if required.



Civil works plan detailing services connections, driveways, drainage works and retaining. Even a relatively flat site can require costly retaining.

Quotations

- If builder has not already been selected, call for tenders on the construction.
- Builder is selected from tender applications and a contract is negotiated.
- For larger projects that require commercial finance, enlist a quantity surveyor to estimate and monitor construction budgets.
- Ensure tender contracts and documents and quotes don't include any unusual clauses.
- Update feasibility analysis based on quotes.

Step 14 – Implementation of Capital Works

Civil and Building Contracts

- Call for tenders / quotes and negotiate a contract with the best one.
- Obtain copies of contractor's licences and insurances to ensure that they are qualified to do the works and that they have the relevant insurances and that all documents are current and will remain current for the duration of your project.
- Conduct searches on the contractor's licences with the relevant building industry authority in your State to confirm their status and history.
- For company entities, conduct searches to confirm their history.
- Ensure that you understand your contract documents thoroughly.
- Seek legal advice if necessary for anything that you are unclear about.
- Ensure that the name and number on the licence matches the contract.
- Ensure that all plans, specifications, and approvals are all clearly specified in the contract.
- Clarify the terms of progress payments in the contract if any.
- Note any cooling off periods stated in the contract.
- Ensure a finance clause is included in the contract if construction is subject to finance approval.
- Clarify what the builder's insurance will cover.
- Clarify contract date commencement and conclusion and your rights.
- Ensure that the contract has been completed properly and there are no blank spaces.

- Contracts should clearly state:
    - Start and finish dates
    - Rates for variations
    - Liquidated damages if the project runs late
    - A defects liability period
    - A dispute resolution process
    - A clear and concise contract price
    - A list of prime cost allowances
- Ensure that any deposits paid are within the legal limits and timeframe.
- Notify in writing when conditional contract clauses are satisfied, e.g. finance approval.
- Notify in writing when the site is being officially handed over to the builder.
- Ensure that all variations to the plans or specifications are in writing and signed by both parties.
- Clarify who is responsible for approval applications.
- Ensure that you have a copy of all approvals, signed contracts, and a certificate of insurance from the building authority in your State prior to work commencement.
- Ensure you have received and understood the Building Act in your State that regulates the construction works you propose to have done.
- Confirm contact details for the primary contractors.

Demolition and Site Clearing Phase

- Demolition of existing structures and site clearing may be part of the builder's contract or may be managed by you directly, prior to handing over the site to the builder.
- Notify neighbours in advance of demolition works.
- Where possible, have the demolition contractor include in his contract any required asbestos removal and final site clearing. This is so that there is one primary contractor responsible for the site. That way there are no issues as to who is responsible if any asbestos or debris is missed.
- Where asbestos removal is involved, ensure that the demolition contractor is using a licensed asbestos removal contractor.

- Have the asbestos removal company issue a site clearance certificate on completion, ready for site handover to the builder.



House demolition and site clearing works. Asbestos removed first. Decommissioned septic tank at rear of house also needed to be removed. Removal of significant tree and old fencing on rear boundary had to be negotiated with neighbour in advance.

Construction Phase

- Arrange with the builder to conduct regular weekly or fortnightly site meetings with you in order to inspect progress, update on the works schedule, resolve issues, deal with progress payment claims, etc.
- Quantity surveyor monitors progress payments during construction for larger projects and where commercial funding is involved. For smaller projects funded through residential construction finance, the bank's valuer may be the one inspecting the site and monitoring progress payments.
- Ensure that progress payments reflect work completed on the site.
- Once the site has been officially handed over to the builder, the builder is then in charge of the site.
- Make sure you always advise the builder when you intend to go on site, and when the quantity surveyor or valuer need to attend site.
- Ensure all inspections are undertaken as required by the project engineer, council, services and roads authorities at the required stages as per the approval notices.
- Any comments or concerns should initially be made to the builder, and then to the engineer, designer, or building certifier if further clarification is required.

- Record all daily activities and communication (in person, phone, email, fax) in a diary throughout the construction process.



Townhouse construction – framing and cladding stage. Rear neighbour lodged objections at DA stage re loss of privacy. Demands were unfounded though so no additional conditions were imposed by council.

Completion Phase

- Review all of your approval documents and confirm that every condition has been fulfilled
- Builder, engineer, building certifier and consultants carry out final inspections upon completion
- Complete a builder's defect list
- Re-inspection of repaired defects
- Builder issues a Certificate of Practical Completion that is confirmed by the building certifier
- Council will inspect the works to ensure it complies with the development and operational works approval
- Service providers and other authorities may also be required to inspect the site on completion, e.g. Main Roads authority
- As-construct-plans are produced by the builder, plumber, electrician, engineers and submitted to council

- Quantity surveyor produces the final account report
- Bank valuer completes final inspection
- Surveyor re-surveys the site and prepares a final plan of survey in preparation for titling



Finishing works – driveway concreting. Very narrow street so access was tight throughout build and needed to retain good relationship with affected neighbours.

Step 15 – Issuing of Title

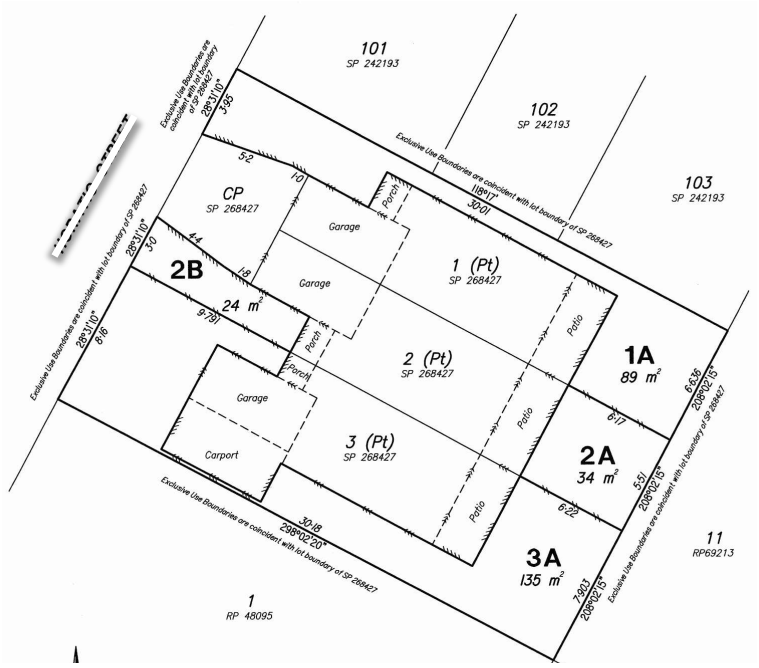
Freehold Title

- Where the newly created dwellings have been developed to be registered as freehold title, no body corporate needs to be established.
- For freehold properties, each dwelling is typically supplied with its own direct connection to services. All three units will each have its own connection to the water main, electrical lines and sewer.
- If these services traverse over the property of another dwelling, an easement needs to be created over the services to give legal access to them.
- This easement will be created by your solicitor and will be reflected on the final survey plans.

- Final survey plan documents are prepared by the surveyor showing the newly created freehold lots, including the lot boundaries and areas, any easements, and a services location diagram.

Strata Titling

- Where the newly created dwellings are being strata titled, there will be areas of the site that are on individual title, that are common property and that are exclusive use, and these areas need to be shown in the survey plan documents.
- Final survey plan documents prepared by the surveyor show the newly created lots, title boundaries and areas, exclusive use boundaries and areas, common property boundaries and areas, and services location diagram.
- A body corporate is setup to manage the site via the Community Management Statement.
- Either the body corporate manager or your solicitor will setup the body corporate and will prepare the Community Management Statement.
- Community Management Statement includes:
    - Schedule of lot entitlements for each of the new lots
    - By-laws that control the management of the property and what the owners and tenants can and cannot do
    - Description of exclusive use areas allocated to each lot
    - Exclusive use area plan showing the exclusive use boundaries and areas
- Sinking fund forecast report and insurance estimate report are prepared by a quantity surveyor and coordinated by the body corporate manager.
- Annual budget, administration fund and sinking fund schedules are prepared by the body corporate manager and included in the Disclosure Document if you are selling off the plan, and are tabled at the first body corporate meeting.



Exclusive use area plan for 3 townhouses. Aimed to minimise communal area to driveway only and rest was assessed as exclusive use to particular townhouses.

Council, Bank and Titles Department Approval of New Titles

- Survey plan documents are submitted to council for plan sealing, meaning council sign-off. Either yourself, your solicitor, or your surveyor may coordinate this.
- If it is being strata titled, the Community Management Statement document also gets lodged with council at plan sealing.
- Council sealed survey plan documents are sent to your financier / bank for mortgagee consent. This is because the bank holds the security over the original property that you have now altered, hence the bank needs to consent to the changes prior to the titles department cancelling the original title and creating the new titles. Either yourself, your solicitor, or your mortgage broker will coordinate this. If there is no bank involved this step is skipped.
- Plan sealed documents, Community Management Documents and mortgagee consent documents are lodged with titles department.
- Titles department review the documentation and if warranted, issue a non-compliance request that you first need to attend to before new land titles are registered.

- New land titles are registered and any presale contracts are now able to settle, and new sale contracts can be entered into under a standard land sale contract arrangement .
- First body corporate meeting is conducted to adopt the annual budget etc.

Step 16 – Marketing Your Development

Prior to Marketing Your Development

- Visit units and display homes to get ideas for your marketing strategy
- Critically examine and photograph other projects
- Collect brochures and sales data from other developments
- Make up files that include all of this data
- Talk to project sales agents and ask for customer's criticisms
- Determine price resistance levels
- Review recent market values, both sold and currently on the market
- Decide on a price range you can offer for each property based on your research
- Discuss project with your shortlisted real estate agents and request their feedback on sale price and marketing strategy
- Update your feasibility analysis with the proposed sale prices
- Prepare marketing plan and organise marketing material

Sales Agent Selection

- Research real estate agents that have experience selling the type of product you are producing, in the area you are producing it.
- Interview the shortlisted agents and have them submit a marketing proposal to call previous clients to confirm the quality of the agent/s.
- Confirm the agent's capability to sell off the plan if this is part of your strategy.
- Engage your preferred agent on a short exclusive period initially in order to assess their capabilities and then extend their contract if they are performing to your satisfaction.
- Consider using markers to sell your product if required.

Advertising and Marketing Costs

- Sign writers, graphic designer to design branding / signage.
- Perspective artist to create an image of what the development will look like, otherwise known as an artist impression.
- Printers to print brochures or print media for promotion of the development.
- For larger projects, engage an advertising agency that specialises in real estate promotion.
- Obtain media costs for advertising in newspapers and online etc.
- Keep a record of advertising rates for various sizes.
- Real estate agents will expect you to pay for your own advertising.



Artist impression of 3 townhouses prepared prior to construction. Aimed to make as accurate as possible. Used during construction and marketing phase

Commencement of Marketing

- Create a pictorial signboard of the development as soon as it commences using the artist impressions.
- List features that will attract buyers based on your due diligence.

- Create a website for the project if warranted and commence online marketing with artists impressions.
- On completion of works, present the property with staging furniture in at least one of the units for sale.
- Have professional photographs taken, including aerial view photos if appropriate.
- Update marketing material with the professional photos.
- Print brochures or other promotional media.
- Prepare a price list for presales.
- Make sure you direct ads at your target market so they generate inquiries.
- Monitor and record responses on marketing so that you know which media is most effective.
- Record contact details of interested parties so that you can direct market to them in the future.





Professional photos of completed 3 townhouses including staged interior.

Sales

- Get lawyer to prepare a presales contract and disclosure document so dwellings can be sold off the plan (prior to titling).
- Ensure that any special clauses are included in this contract.
- A standard real estate sales contract can be used once the development is complete and the title plan is registered.
- Understand what your sales contracts mean and ask questions if necessary.
- Ensure sales contracts are filled out correctly by you and the purchaser.

- Ensure the deposit has been banked into the agreed account.
- Monitor the agent's sales activity.

Step 17 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate.
- Determine the tax implications prior to beginning your development so that you understand your obligations.
- Determine the land tax payable, if any, for the area you are looking at.
- Submit all relevant documents to your accountant on completion of the project.

Income Tax

- Record all of your expenses throughout the development process.
- Understand your Income Tax obligations.
- If Income Tax is payable, allocate those funds on completion of the project, so that you know they are available for when payment is required.
- Pay Income Tax when required.

GST (Goods and Services Tax)

- Determine if you need to pay GST and register if necessary
- Understand your GST obligations
- Get your accountant to calculate the GST and ensure that this money is kept aside
- Keep a record of all of your receipts and invoices for GST purposes
- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements) monthly or quarterly depending on your cash flow requirements
- Following sales of dwellings, pay any GST owing

Step 18 – Celebrate Your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes.
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained and the personal development that you experienced.

Project Review

- On completion of the project undertake a review.
- Complete an 'actuals' feasibility of the project, detailing the actual costs, income and profit margin.
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve.
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.



PLATINUM
ACCELERATOR

Strata Titling

The strategy of strata titling an existing building involves dividing it into smaller components and creating a separate title on each. For example, it may be a block of units all on one freehold title that you are splitting into individual units on separate strata titles. Maybe it's a commercial building or industrial sheds on one freehold title that is being divided into individual commercial spaces or industrial sheds and strata titled. Regardless of the type of building, the process is very similar, including confirming council approval of the existing structure, ensuring building code requirements are met such as fire separation, and then finally, creating the separate titles. For the purpose of this checklist, a block of units is being used as the example. Remember that the process and terminology may vary somewhat between different councils, so modify this checklist accordingly.

The real deal strata titling example that is going to be used throughout the checklist, is a block of 2 units. It highlights many of the issues raised. It covers all of the required stages, and will give you a great real life snapshot of doing a strata titling project.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- ✓ Detail your personal circumstances including:
    - What is your available equity, borrowing capacity, and serviceability?
    - What is your time availability?

- How far are you prepared to travel?
- Is your strategy to hold or sell?
- What is your level of experience?
- What is your risk profile?

- Based on your personal circumstances determine what type of region you are targeting including
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type e.g. regional area, within a distance that you are prepared to travel to, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations, research their specific characteristics including:
    - Population size
    - Infrastructure spending
    - Supply and demand
    - Rental vacancy rate
    - Council's attitude to development
- Based on the research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns.
- For each of your 3 target locations, research the population growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details, etc.

Step 2 – Strategy Research, Property Identification, Mapping and Prioritisation

Strategy Research and Property Identification

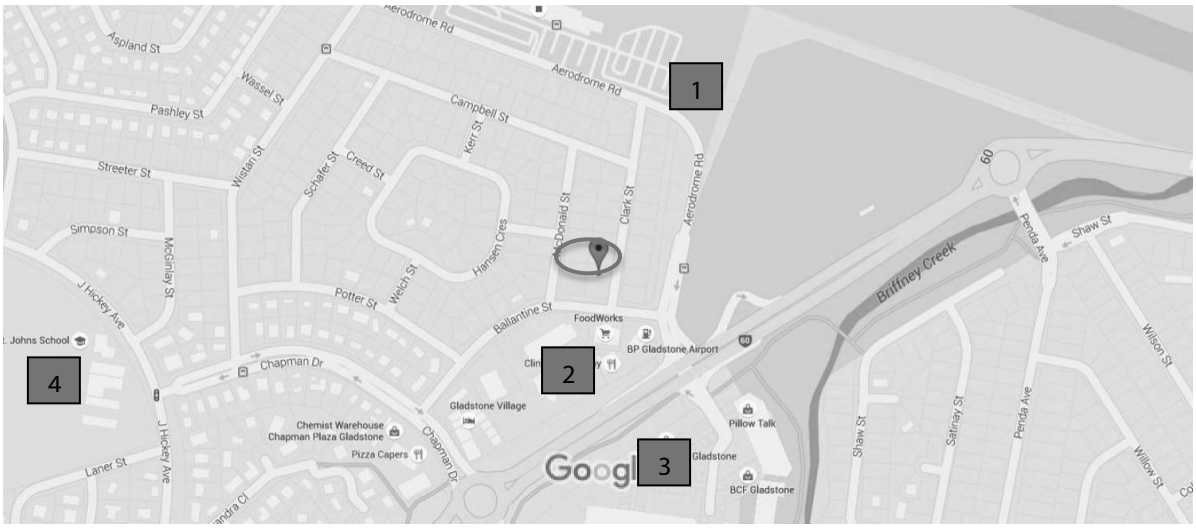
- For each of your three target locations, educate yourself on what the market wants, where it wants it, why, and how it fits your chosen strategy e.g. strata titling.
- Research and visit other strata titled unit blocks in those locations, learn from them and record characteristics and features, prices, marketing strategies, marketing material, consultants involved, etc.
- For each of the target locations use search terms to identify potential properties on the internet or to talk to real estate agents or locals, e.g. unit blocks, 'x' number of bedrooms, 'y' number of bathrooms, single title, one title, etc.



Block of two units on the one title, each unit 2 bedrooms, one bathroom, low-set, unrenovated.

Mapping

- Map the location of potential unit blocks
- Use aerial photos to identify other potential unit blocks in your locations but not yet on the market
- Research the infrastructure, amenities, schools, transport, etc., of relevance and highlight them on your map
- Research changes in infrastructure planned for the future and depict on map



Location in close proximity to employment, infrastructure and services:
1 = Airport, 2 = Local shops / petrol station, 3 = Bunnings complex, 4 = Private school.

Grid Variance Analysis

- If your research has identified too many properties for you to individually research, Grid Variance Analysis is a good method to be able to prioritise the areas.
- Research the price ranges (low, medium, and high), of the areas where the properties are located.
- Do Grid Variance Analysis comparing the low to the mid of the market in each area.
- Prioritise the areas from highest to lowest Grid Variance Analysis, in order to narrow down your target list of potential unit blocks to further research.

Search and Data Facilities

- PD Online
- Google, Google Maps, Google Earth
- Real estate websites
- Regional councils
- Newspapers and real estate brochures
- Real estate agents
- Talking with locals
- Letterbox drops
- Door knocking

Step 3 - Requirements Due Diligence

Council Requirements

- For each of the unit blocks on your prioritised target list, determine the council's requirement and process to be able to strata title an existing property. Does the council require you to only meet the Building Code of Australia, or does it require you to also meet certain town planning requirements, or even bring the development up to current town planning code? There is likely to be a conversation with both the council building department and town planning department, because sometimes neither are quite sure who is responsible.
- Some councils are now making you bring the development up to current town planning code which may mean you need to comply with such things as:
    - Overland water flow
    - Flooding
    - Storm water management
    - Car parking including visitor parking
    - Driveway widths and construction
    - Footpaths
    - Private open space etc.
- Use this information to inform your specific property due diligence when you inspect the property, so that you know what you are looking for.

Building Certifier Requirements

- For each of the unit blocks on your target list, consult with a local building certifier to determine the requirements and process to be able to strata title an existing property in that location, e.g.
    - Fire separation – walls, floors, car parking
    - Individually metered services
    - Disability access
    - Windows and doors
    - Stairs etc.
    - Communal areas

- Use this information to help your specific property due diligence when you inspect the property, so that you know what you are looking for.



Unit block already had fire separation wall between units although it needed to be extended to under the roof. Slab on ground construction and separate water and electricity meters already existed and windows compliant.

Surveyor Requirements

- Consult with a local licensed surveyor to determine the requirements and process to be able to strata title an existing property in that location.
- Use this information to inform your specific property due diligence when you inspect the property, so that you know what you are looking for.

Step 4 - Specific Property Due Diligence

- Undertake detailed due diligence on the individual properties of interest to confirm their strata titling potential, including potential opportunities and constraints.
- Confirm with council that the property is council approved as a block of multiple units on the one title. Confirm the number of units approved, the number of bedrooms per unit, their configuration, the age of the development approval, and that it is council approved for its current use.
- Use a builder or building certifier to assist you during your property inspection/s to undertake the required due diligence and to determine what specific works may be required to the property to comply with all requirements.
- Determine the property's compliance with the building code and surveyor requirements and determine what works may need to be completed, e.g.

- Presence of existing fire separation between units, including between the walls and floors
- Presence of fire separation between units and car parks
- Presence of penetrating services, e.g. plumbing and electrical, running between units but without the necessary fire collars
- Position of existing stairs, window openings and car parking
- Existence of separately metered services
- Capacity to comply with disability requirements – if applicable

- Research the property's compliance with any current town planning requirements that may need to be fulfilled and detail any works that may be needed to be able to comply:
    - Flooding
    - Waterways
    - Overland flow
    - Bushfire prone
    - Cultural heritage
    - Demolition control
    - Slope
    - Private open space
    - Driveway access and footpaths
- Research the property's potential to be further developed, including:
    - Capacity to reconfigure units and add bedrooms
    - Capacity to split units into smaller units
    - Existence of vacant land to further develop
- Research the general property due diligence items in the early stages of reviewing target properties. These items may, however, need to be revisited and further researched in greater detail during the conditional period of the contract:
    - Illegal building works onsite – structure not council approved,
    - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety,

- Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat.
- Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified person.
- Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation.

Research site-specific constraints including:

- Significant trees
- Soil type – swelling and cracking clays
- Contaminated site
- Easements – sewer, power, access ways,
- Encroachments – survey site
- Covenants
- Caveat or other encumbrances
- Notation on registered survey plan
- Neighbour disputes
- Council show cause notices
- Heritage listed buildings
- Above ground infrastructure at the front of the property – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
- Underground infrastructure – manholes, disused septic tanks, buried water tanks, Telstra pits
- Capacity of services and capacity to individually meter – electricity, water, gas, etc.
- Shared services between neighbouring properties – e.g. combined sewer drain
- Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units/apartments / commercial, etc.

- Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours
- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate



Researched the impact of industry air pollution plumes in the region, plus the impact of the airport flight path on the property.

Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.

- ✓ Use the various tools for researching individual properties including:
    - Council and council websites
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Town planners
    - Locals and neighbours
    - Builder
    - Building certifier
    - Surveyor
    - Plumber and electrician

Step 5 – Your "A" Team

The Initial Team

- ✓ Building certifier
- ✓ Town planner
- ✓ Land surveyor
- ✓ Builder
- ✓ Building and pest inspector
- ✓ Lawyer that specialises in property
- ✓ Moneylender or Broker
- ✓ Tradespeople including plumber, electrician
- ✓ Building designer
- ✓ Real estate agent / purchasing agent
- ✓ Sales agent / marketers if you are planning to sell
- ✓ Property manager if you are planning to rent or sell to an investor
- ✓ Valuer

The Subsequent Team

- Specialist consultants, e.g. traffic, heritage, cultural heritage, acoustic, bushfire
- Interior designer / colour consultant
- Graphic artist
- Advertising agency
- Body corporate manager
- Quantity surveyor (body corporate sinking fund forecast and insurance forecast)
- Insurance broker
- Staging consultant
- Depreciation specialist (quantity surveyor) - if renting end product or selling to an investor

The Individuals

- Look for individuals that specialise in strata titling
- Ask for references or examples of their work / clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant e.g. Building Assoc., Law Society, Institute of Quantity Surveyors, etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress of individuals to keep them on target

Step 6 – Draft Scope of Works

Works to Strata Title

- For each of the target sites that comply with your strategy, and that your due diligence looks favourable to be able to strata title, summarise the works that must be completed to undertake strata titling, e.g.
    - Fire separation to walls, floors, ceiling
    - Services penetration works
    - Services metering works
    - Fencing works
    - Driveway / footpath works

Works to Renovate

- List all renovation works proposed for the building exterior, e.g.
    - Roof, gutters, downpipes
    - Windows and doors
    - Painting, rendering, bagging
    - Lighting
    - Stairs
    - Veranda / balcony / patio / pergola,
    - Balustrade
    - Carports / garage
    - Aerial
    - Make good repairs
- List all renovation works proposed for the building interior, e.g.
    - Kitchen
    - Bathroom
    - Laundry
    - Painting
    - Floor coverings

- Wall coverings
- Lighting / fans / air conditioning / heating
- Electrical
- Robes
- Doors and door handles
- Make good repairs

- [ ] List all landscaping and site works, e.g.
    - Gardens
    - Turf
    - Garden edging
    - Retaining walls
    - Garden shed
    - Driveway
    - Paths
    - Fencing and gates
    - Drainage works
    - Irrigation
    - Letterboxes
    - Clotheslines
    - Car parks
    - Frontage works – council verge

Step 7 – Feasibility Analysis

Initial Rough Feasibility

- [ ] Research the costs to purchase the property.
- [ ] Research the costs to complete the strategy.
- [ ] Research the market value for the end product – rental and sale.
- [ ] Research the demand of the end product – rental and sale.
- [ ] Research the various exit strategies.

- Research and create a realistic timeline for the entire project, including approvals phase, financing phase, works and renovation phase, titling phase, sales phase, etc.
- Complete rough feasibilities on the various options to do the deal, and the various exit strategies.
- Complete due diligence on your capacity to finance the various strategies.
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility.
- If you are having trouble getting your rough feasibilities to stack up, consider completing reverse engineered feasibilities on similar completed projects in your area to better understand the numbers and what they need to be to make a deal profitable.

Detailed Feasibility

- Prepare numerous feasibility studies with varying options prior to committing to purchase a deal.
- Always enter full amounts in costings, not potential discounted prices.
- Calculate legal fees and establishment cost as well as any duties or taxes.
- Calculate expected sales income and balance it against the expected return.
- There is no specific target profit level for a strata titling deal, although 20% profit on cost is a great target. Do not be surprised though if it is less given that the building already exists. You have to determine, therefore, what profit you are prepared to accept for the cost, time, risk, and management required.
- Visit other strata title deals and analyse their data; unit price, rent, location, buyer profile, etc.
- Talk to real estate agents in your area.
- Make timelines realistic – allow for inclement weather, financing delay, building and renovation delay, delay in sales and unforeseen hold ups.
- Estimate timeframes for how long it will take to gain any returns.
- If your feasibility studies show that your project is not financially viable, review the costings with your consultants, builder, and sales agent/s. If it is still not viable - DO NOT proceed.
- Continually update and review your detailed feasibility as your costs are updated with each new quote and as more information comes to light.

- Assess the tax implications of your project, e.g. GST, Capital Gains Tax, Income Tax, Land Tax.

Purchasing, Finance Fees and Charges and Hold Costs

- Property purchase cost
- Due diligence costs (building and pest, builder and building certifiers assessment, specialist reports)
- Conveyancing and title search fees
- Stamp Duty (varies from State to State)
- Accountancy fees
- Interest on finance
- Insurances
- Property management fees if tenanted
- General site maintenance, e.g. mowing, repairs

Approvals, Development, Titling and Sales Costs

- Application and lodgement fees (council approval, building certifier approval and service providers)
- Consultant fees (town planner, building certifier, quantity surveyor, specialist consultants / reports)
- Site survey
- Building and Renovation works
- Upgrade to services fees
- Council head works / contribution fees per unit – if applicable
- Final surveying
- Body corporate setup and community management statement preparation
- Body corporate sinking fund and insurance reports
- Body corporate building insurance on completion
- Titling costs, including plan sealing fees
- Advertising and marketing costs

- Staging fee
- Legal fees on the sale of units
- Sales commissions
- Maintenance upon completion, e.g. watering, mowing
- Annual council rates
- Land taxes (can vary from State to State)
- Insurance to cover the entire property during and after works
- Sundry costs – allow extra for any additional costs that you may incur

Step 8 – Choosing Your Site

Choosing your site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 9 below

Ensure Ownership Structure is Setup

- Ensure the ownership structure is setup and that it is suitable for the structure of the deal you are proposing, considering the financing, exist strategies, asset protection, tax implications.
- Types of structures include:
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 9 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful

- Consider all information and determine a fair offer

Negotiating the Property Purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct and that you understand all conditions and clauses
- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing

Process Upon Acceptance of Offer

- On signing a contract ensure that you organise a cover note for building and public liability insurance over the entire property. Consider if contents insurance is also required, e.g. furnished property
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. building and pest, site survey, specialist reports like flood, etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants, etc.
- Consult progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications if required

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement.
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be based on the contract.
- Make sure your lawyer does a final land title search the day prior to settlement.
- If the property is tenanted, consider if landlord tenant protection insurance is warranted and if so, take it out.
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment.
- Have electricity account changed to your name if vacant possession on settlement.



Purchased with tenant in place, however tenant stopped paying rent prior to settlement and had to be evicted.

Step 10 – Finance

Securing Finance

- Determine your personal finance capability.
- Make a preliminary finance application.
- Look for a lender or broker that specialises in unit blocks.
- Ensure that you deal with a lender / broker that understands your needs.
- Ensure that contracts are subject to finance.
- Determine interest rates, charges and fees and negotiate the terms.
- Lodge your application with a commercial finance broker or department.
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire development project, including strata titling and renovation works, not just the initial property purchase.
- Make sure that you include all the relevant documentation in your application.
- Advise finance broker / institution that the property is under contract and subject to finance and potentially other conditions – provide them with a copy of the contract.
- Complete a finance application submission and present it to the broker .

What to Include in Your Application for Finance

- Introduction
- Financial Proposal / Commitment
- Site Information – mapping, description, zoning
- Surveyor's plan of the site
- Strata titling proposal
- Building quotes or contracts
- Concept design description and drawings if required
- Demographic and target market for sales
- Complete financial analysis of costs, expenses and projected profits
- Cash flow analysis
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your development experience, financial history, assets and cash flow
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross securitisation with other property you own

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- Instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation

Step 11 – Mapping, Schedule of Works, and Approvals

Mapping

- Enlist a land surveyor to establish the boundaries of any property purchases to confirm no encroachments etc.
- Land surveyor will re-survey boundaries once strata titling and renovation works are completed.

Finalise Schedule of Works and Works Program

- Confirm the list of works for the strata titling and renovation.
- List the tradespeople required.
- Prepare a detailed schedule of works and specifications list with the finishes and fixtures for each trade to facilitate quoting and to ensure each quote is based on the same works, finishes and fixtures, e.g. painter, plumber, electrician, carpenter / builder, landscaper, etc.
- Prepare a detailed works program and schedule detailing the sequence of works to occur, the timing, the trade responsible, and identify the key milestones and tasks that could delay subsequent works.
- Identify what works are to be completed by you.

Detailed Design and Approvals

- Where council approval or building approval is required, prepare design plans and documentation as required and lodge.

Step 12 – Selecting Key Consultants and Tradespeople

Selecting Building Certifier, Surveyor and Building Designer

- Make sure that they are a member of your State's professional association or institute for their profession.
- Meet and discuss your project.
- Confirm that they have done strata titling of existing buildings before and that they are confident with what is required for compliance.
- Discuss the range of services you require and if you do not understand the services – ask for an explanation.

- Ask for the fees that you are likely to have to pay – and for a quote once the project parameters have been determined.
- Make sure you feel comfortable with them and that you get the responses you want.
- Ask about other similar strata projects that they have done and if possible speak to former clients.

Selecting Tradespeople (and Builder if Required)

- Request referrals / recommendations from your team, e.g. building certifier, surveyor, building designer.
- Get to know builders in your area and the types of projects they do.
- Check licences and history to ensure they are qualified to do the works you are proposing and that their history is clear and there are no disputes.
- Make sure you feel comfortable with them, that you get the response you want, and that they respond in a timely manner to your requests.
- Ask to look at examples of renovations that they have completed recently and also older projects to assess their workmanship quality over time.
- Speak to former clients.
- Determine their workload to ensure they can give attention to your project.
- Request their timeframe to complete your project and potential start date.
- Confirm who will be doing the onsite works, who will be supervising, who are the main tradies, contractors and how long they have worked together for the builder.
- Ask if they are doing or have done similar strata and renovation projects.
- Get all works quoted, preferably three quotes per trade / item.
- Get the builder and tradespeople's to advise on the works to offer cost saving initiatives and confirm these with the building certifier to ensure acceptable.
- Get a final fixed price quote and time contract.

Building Certifier Checklist

- Inspect the existing building and confirm what works are required to meet Building Code requirements for strata titling.

- Assist with documentation that may be required for building approval.
- Obtain necessary authority approvals.
- Inspect construction works to fulfil building approval requirements.

Building Designer Checklist

- Prepare design plans if required for council or building approval
- Liaise with building certifier to obtain approvals

Builder and Key Trades Checklist

- Get a fixed price based on the works list and design plans
- Ensure all quotes and or contracts are signed and priced clearly and that you understand all contract conditions and clauses
- Builder and tradespeople attend to the defects list
- Confirm who is responsible for any site clean up on completion
- Builder and tradespeople hand over all inspection certificates, guarantees, warranties, booklets and user manuals upon completion

Step 13 – Applications, Permits, Quotations and Contracts

Development and Operational Works Approval – If Required

Council development and operational works approval is typically NOT required for a strata title project. However, some councils are now starting to require it, hence for completeness the relevant steps are detailed below:

- Attend a pre-lodgement meeting with your local council prior to lodging applications.
- Prior to lodging your application with council, liaise with the neighbours if the project needs to be publically advertised or if the owners need to be notified.
- Write a personal letter to the council town planner stating your specific requirements for Development Approval.
- Lodge a Development Application for the preliminary design.

- Submit civil engineering designs for Operational Works Approval, either with the Development Approval or following Development Approval depending on your council process.
- The council town planner will assess the application in accordance to the town plan's zoning guidelines. If additional information or amendments are required, an information request may be made by council.
- The application may need to be advertised to the general public, or to the immediate neighbours depending on your council requirements and the level of assessment of your application, e.g. code assessable or impact assessable.
- If your submission is satisfactory, it will be presented before the Town Planning Committee in council, or to a council meeting, depending on the nature of your application and the particular council.
- Development approvals will be issued in writing from the Planning Authority.
- Understand any terms and conditions that the approval may contain.
- Council engineering department will assess the Operational Works application, issue an information request, and once satisfied with the designs will issue an Operational Works Approval. Again, ensure you understand all conditions.

Building Approval

- Submit plumbing plans to council for plumbing approval.
- Submit design plans to service providers if required for separate metered services, e.g. water, electricity, Telstra.
- Submit working drawings and engineering plans, energy efficiency assessment and all other required documentation to the building certifier or council for building approval.

Quotations

- If tradespeople and builder have not already been selected, obtain quotes – minimum of three per trade.
- Negotiate on quotes and select preferred ones.
- Obtain copies of contractor's licences and insurances to ensure that they are qualified to do the works and that they have the relevant insurances, and that all documents are current and will remain current for the duration of your project.

- Conduct searches on the contractor's licences with the relevant building industry authority in your State to confirm their status and history.
- For company entities conduct searches to confirm their history.
- Tradespeople / builder are selected, quotes finalised and signed off on and where required contracts are negotiated.
- Ensure quotes, contracts and supporting documents don't include any unusual clauses.
- Update feasibility analysis based on quotes.

Contract Due Diligence

- Ensure that you understand your contract documents thoroughly
- Seek legal advice if necessary for anything that you are unclear about
- Ensure that the name and number on the licence matches the contract
- Ensure that all plans, specifications and approvals are all clearly specified in the contract
- Clarify the terms of progress payments in the contract if any
- Note any cooling off periods stated in the contract
- Ensure a finance clause is included in the contract if construction is subject to finance approval
- Clarify what the builder's insurance will cover
- Clarify contract date commencement and conclusion and your rights
- Ensure that the contract has been completed properly and there are no blank spaces
- Contracts should clearly state:
    - Start and finish dates
    - Rates for variations
    - Liquidated damages if the project runs late
    - A defects liability period
    - A dispute resolution process
    - A clear and concise contract price
    - A list of prime cost allowances

- Ensure that any deposits paid are within the legal limits and timeframe
- Notify in writing when conditional contract clauses are satisfied, e.g. finance approval
- Notify in writing when the site is being officially handed over to the builder
- Ensure that all variations to the plans or specifications are in writing and signed by both parties
- Clarify who is responsible for approval applications
- Ensure that you have a copy of all approvals, signed contracts and a certificate of insurance from the building authority in your State prior to work commencement
- Ensure you have received and understand the Building Act in your State that regulates the construction works you propose to have done
- Confirm contact details for the primary contractors

Step 14 – Undertake Works Program

Demolition and Site Clearing Phase

- Demolition of existing structures and site clearing may be part of the builder's contract or may be managed by you directly, prior to handing over the site to the builder.
- Where possible, have the demolition contractor include in his contract any required asbestos removal and final site clearing. This is so that there is one primary contractor responsible for the site. That way there are no issues as to who is responsible if any asbestos or debris is missed.

Construction Phase

- Notify neighbours in advance of any works that may affect them, e.g. fence replacement, tree lopping, noisy demolition works, asbestos removal. Where possible adopt a good neighbour policy – you never know when you may need their assistance.
- Provide all contractors with the project works schedule so that everyone is aware of your expectations regarding timing, start and completion dates, key milestones, and critical path item, etc.

- Call each trade two weeks prior to them being required onsite to ensure they are on schedule. Re-contact again one week out to reconfirm and then again the day prior – organisation is key if you are project managing the works.
- If a delay is encountered, advise affected trades immediately to allow them to reschedule.
- Ensure all materials and supplies are available onsite prior to works commencing to prevent delays.
- Ensure pre-orders are complete in a timely manner where lead times exist in manufacturing and supply, e.g. cabinetry, windows, doors, etc.
- Where asbestos removal is involved, ensure that a licensed asbestos removal contractor is used regardless of the size of the job.
- Have the asbestos removal company issue a clearance certificate on completion.
- Conduct regular site meetings, daily or weekly depending on the project. Meet with the key tradespeople or builder in order to inspect progress, update on the works schedule, order supplies where required, resolve issues, deal with payments, etc.
- Where possible inspect all tradespeople's work on completion – prior to them leaving site, so any issues can be identified and resolved in a timely manner – speak up if you have an issue.
- Pay all accounts as soon as possible to ensure the tradespeople are motivated to work with you in the future.
- Do not pay an account for which you haven't already inspected the works and are satisfied with its completion.
- Ensure you do not do works that must be completed by a qualified tradesperson.
- For projects where you have construction finance for the works, the banks valuer (or quantity surveyor) is likely to inspect the site and monitor progress payments.
- Ensure that progress payments reflect work completed on the site.
- If the site is being officially handed over to a builder and they are responsible for the whole site, make sure you always advise them when you intend to go onsite, and when the valuer or quantity surveyor need to attend site.

- Ensure all inspections are undertaken as required by the building certifier, engineer, council and services authorities at the required stages as per the approval notices.
- Any comments, concerns or uncertainties should be raised as early as possible in the process to ensure they do not get out of hand.
- Record all daily activities, and communication (in person, phone, email, fax) in a diary throughout the works process.



Fire separation works completed to roof underside, plus cosmetic renovation including repainting inside and out, new flooring, kitchen and bathroom.

Completion Phase

- Review all of your approval documents and confirm that every condition has been fulfilled.
- Builder, engineer, building certifier and consultants carry out final inspections upon completion.
- Complete a defects list and arrange for it to be attended to.
- Re-inspection of repaired defects.
- If council town planning approval was required at the outset, council will inspect the works to ensure it complies with the approvals.
- Service providers and other authorities may also be required to inspect the site on completion.
- If required, as-construct-plans are produced by the builder, plumber, electrician, engineers and submitted to council.
- Bank valuer completes final inspection.
- Surveyor re-surveys the site and prepares a final plan of survey in preparation for titling.

Step 15 – Issuing of Title

- Liaise with the surveyor to identify the areas of the site that are going to be on individual title, that are common property and that are exclusive use, and these areas need to be shown in the survey plan documents.
- Final survey plan documents prepared by the surveyor show the newly created lots, title boundaries and areas, exclusive use boundaries and areas, common property boundaries and areas, and services location diagram.
- A body corporate is setup to manage the site via the Community Management Statement.
- Either the body corporate manager or your solicitor will setup the body corporate and will prepare the Community Management Statement.
- Community Management Statement includes:
    - Schedule of lot entitlements for each of the new lots
    - By-laws that control the management of the property and what the owners and tenants can and cannot do
    - Description of exclusive use areas allocated to each lot
    - Exclusive use area plan showing the exclusive use boundaries and areas
- Sinking fund forecast report and insurance estimate report are prepared by a quantity surveyor and coordinated by the body corporate manager.
- Annual budget, administration fund and sinking fund schedules are prepared by the body corporate manager and included in the Disclosure Document if you are selling off the plan and are tabled at the first body corporate meeting.



Red = Lot 1 title and exclusive use area. Yellow = Lot 2 title and exclusive use area. Balance land is common property.

Council, Bank and Titles Department Approval of New Titles

- Survey plan documents and Community Management Statement are submitted to council for plan sealing, meaning council sign-off. Either you, your solicitor, or your surveyor may coordinate this.
- Council sealed survey plan documents are sent to your financier / bank for mortgagee consent. This is because the bank holds the security over the original property that you have now altered, hence the bank needs to consent to the changes prior to the titles department cancelling the original title and creating the new titles. Either you, your solicitor, or your mortgage broker will coordinate this. If there is no bank involved this step is skipped.
- Plan sealed documents, Community Management Documents, and mortgagee consent documents are lodged with titles department, typically by your solicitor.
- Titles department review the documentation and if warranted issue a non-compliance request that you first need to attend to before new land titles are registered.
- New land titles are registered and any presale contracts are now able to settle, and new sale contracts can be entered into under a standard land sale contract arrangement.
- First body corporate meeting is conducted to adopt the annual budget etc.

Step 16 – Marketing For Sale

Prior to Marketing Your Project

- Visit units and display homes to get ideas for your marketing strategy
- Critically examine and photograph other projects
- Collect brochures and sales data from other properties
- Make up files that include all of this data
- Talk to project sales agents and ask for customer's criticisms
- Determine price resistance levels
- Review recent market values, both sold and currently on the market
- Decide on a price range you can offer for each property based on your research

- Discuss project with your shortlisted real estate agents and request their feedback on sale price and marketing strategy
- Update your feasibility analysis with the proposed sale prices
- Prepare marketing plan and organise marketing material

Sales Agent Selection

- Research real estate agents that have experience selling the type of product you are producing, in the area you are producing it.
- Interview the shortlisted agents and have them submit a marketing proposal to you.
- Call previous clients to confirm the quality of the agent/s.
- Confirm the agent's capability to sell off the plan if this is part of your strategy.
- Engage your preferred agent on a short exclusive period initially in order to assess their capabilities and extend their contract if they are performing to your satisfaction.
- Consider using markers to sell your product if required.

Advertising and Marketing Costs

- Sign writers, graphic designer to design branding / signage
- Perspective artist to create an image of what the property will look like, otherwise known as an artist impression
- Printers to print brochures or print media for promotion of the project
- Obtain media costs for advertising in newspapers, online, etc.
- Keep a record of advertising rates for various sizes
- Real estate agents will expect you to pay for your own advertising

Commencement of Marketing

- Create a pictorial signboard of the development as soon as it commences using the artist impressions.
- List features that will attract buyers based on your due diligence.

- Create a website for the project if warranted and commence online marketing with artist impressions.
- On completion of works, present the property with staging furniture in at least one of the units for sale.
- Have professional photographs taken, including aerial view photos if appropriate.
- Update marketing material with the professional photos.
- Print brochures or other promotional media.
- Prepare a price list for presales.
- Make sure you direct ads at your target market so they generate inquiries.
- Monitor and record responses on marketing so that you know which media is most effective.
- Record contact details of interested parties so that you can direct market to them in the future.



Both units marketed for rent.

Sales

- If you are considering selling the units prior to individual titles being issued, have your solicitor prepare a presales contract and disclosure document.
- Ensure that any special clauses are included in this contract.

- A standard real estate sales contract can be used once the strata titling is complete and the title plan is registered.
- Understand what your sales contracts mean and ask questions if necessary.
- Ensure that sales contracts are filled out correctly by you and the purchaser.
- Ensure that the deposit has been banked into the agreed account.
- Monitor the agent's sales activity.

Step 17 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to beginning your project so that you understand your obligations
- Put structures in place to minimise risk and maximise tax benefits
- Determine the bank account to be used for carrying out the project
- Create a system for filing invoices and recording all payments
- Determine the land tax payable, if any, for the area you are looking at
- Submit all relevant documents to your accountant on completion of the project

Capital Gains Tax / Income Tax

- Record all of your expenses throughout the development process
- Understand your Capital Gains Tax / Income Tax obligations
- If Capital Gains Tax / Income Tax is payable, allocate those funds on completion of the project, so that you know they are available for when payment is required
- Pay Capital Gains Tax / Income Tax when required

GST (Goods and Services Tax)

- Determine if you need to pay GST and register if necessary
- Understand your GST obligations
- Get your accountant to calculate the GST and ensure that this money is kept aside
- Keep a record of all of your receipts and invoices for GST purposes

- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements) monthly or quarterly depending on your cash flow requirements
- Following sale of dwellings, pay any GST owing

Step 18 – Celebrate Your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes.
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained and the personal development that you experienced.

Project Review

- On completion of the project undertake a review.
- Complete an 'actuals' feasibility of the project, detailing the actual costs, income and profit margin.
- List down your learnings – what worked, what didn't work, what you would do differently next time, how you could improve.
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.

PLATINUM
ACCELERATOR

House Relocation

The process of relocating a house from one location to another incorporates a removal phase, where it is removed from its original location, a relocation phase where it is transported to the next location and a reestablishment phase where it is setup at the final destination. All three of these phases will be undertaken if the house is being moved from its original location. However, if the house is already in a holding yard, then only the last two phases need to be undertaken.

The extent of the works involved will also differ depending on the size of the house being relocated and whether it's being moved in a single shift or cut into two and moved as a double shift, hence in two separate loads. The extent of the renovation works will also differ between a single and double shift house and depending on whether it's a cosmetic or structural renovation being done. For the purpose of this checklist, the most extreme example will be used, where a house is being removed from its original location, where it's a double shift house, and where a structural renovation is being completed. As with all strategies, the terminology and specific processes may vary between councils, so modify this checklist accordingly for your location.

The real deal renovation example that's being highlighted throughout the checklist is a double shift house that was relocated from its original site and moved onto a vacant block of land. A structural renovation was also completed. It highlights many of the issues raised. It covers all of the required stages, and will give you a great real life snapshot of doing a house relocation deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?
    - What is your time availability?
    - How far are you prepared to travel?
    - Is your strategy to hold or sell?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances determine what type of region you are targeting including:
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. regional area, within a distance that you are prepared to travel to, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria.

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations research their specific characteristics including:
    - Population size
    - Infrastructure spending
    - Supply and demand
    - Rental vacancy rate
    - Council's attitude to development
- Based on this research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns.

- For each of your 3 target locations, research the population growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details, etc.

Step 2 – Strategy Research, Property Identification, Mapping, and Prioritising

Strategy Research and Property Identification

- For each of your three target locations, educate yourself on what the market wants, where it wants it, why and how it fits your chosen strategy, e.g. house relocation and renovation.
- Research and visit other completed renovations in those locations, learn from them and record characteristics and features, prices, marketing strategies, marketing material, tradespeople and consultants involved etc.
- For each of the target locations use search terms in internet searches and when talking with real estate agents and locals, in order to identify vacant blocks of land for sale, e.g. land, vacant land, block, vacant block, etc.



Vacant land listed for sale on realestate.com.au in target location.
Had been on and off the market for several years and with several agents.

Mapping

- Map the location of vacant blocks for sale
- Use aerial photos to identify other potential vacant blocks in your target locations that may not yet be on the market
- Research the infrastructure, amenities, schools, transport, etc., of relevance and highlight them on your map
- Research changes in infrastructure planned for the future and depict on map

Grid Variance Analysis

- Use Grid Variance Analysis to prioritise the suburbs where the vacant blocks of land exist.
- For each of the suburbs and for the desired end product type, e.g. four bedroom house - research the price range (low, medium, and high).
- Do Grid Variance Analysis comparing the low to the mid of the market in each suburb.
- Prioritise the suburbs from highest to lowest Grid Variance Analysis, in order to narrow down your target list of potential blocks of land to further research.

Search and Data Facilities

- PD Online
- Google, Google Maps, Google Earth
- Real estate websites
- Newspapers and real estate brochures
- Real estate agents
- Talking with locals
- Talking with land owners direct

Step 3 - Requirements Due Diligence

Council Requirements

- For each of the vacant blocks of land on your prioritised target list, determine the council's requirement and process to be able to relocate a house onto the land, including:
    - Can a relocated house go onto that land and are there any restrictions?
    - Is there a specific council code for relocating houses?
    - Are there restrictions on where relocation houses can go in general?
    - Are there restrictions on what can be relocated?
    - What type of council approval is required?
    - Is demolition approval required?
    - Is plumbing approval required?
    - Is building approval required?
    - Does council charge a retention bond and at what stage is it refunded?
    - How long do the approvals last?
    - What is the cost of approvals?
    - What documents are required?
    - What inspections are required?
    - What are the approval timeframes etc.?
- Does the council code require you to comply with such things as:
    - Overland water flow
    - Flooding
    - Storm water management
    - Car parking including visitor parking
    - Driveway widths and construction
    - Footpaths
    - Private open space etc.

House Relocation Company Requirements

- [ ] Research house relocation companies that may sell houses and transport them to your target areas. Include in your research:
    - Cost of relocating and distance covered – single versus double shift.
    - Cost to relocate a greater distance.
    - Approval processes – what can be done by them and at what cost, and what aspects do you need to complete, e.g. demolition approval to remove the dwelling, council approval to transport, council and building approval to re-establish at new site.
    - What preparation works will they do on the house prior to moving, e.g. asbestos removal, disconnection from services?
    - What re-establishment works at the new site will they complete and at what cost, e.g. re-stumping, re-roofing, roof and wall tie-downs, stair installation, make good repairs, etc.?
    - What site specific requirements to look out for that may restrict their access, e.g. power lines, steep block, significant trees, narrow street, main road and high vehicle usage, narrow site access, etc.
    - What relocatable houses do they have for sale?
    - What building certifiers do they work with that understand the house relocation process?

Building Certifier Requirements

- [ ] Consult with recommended building certifiers that have experience in house relocation building approval to determine the requirements and process in your areas of interest, e.g.
    - Building Approval processes, timeframe and cost
    - Plans and specifications required, e.g. site plan, floor plan, elevations, streetscape view, footing design, stump layout, engineering plans, specifications of external finishes and colours, energy efficiency rating
    - Tie-down requirements – roof to walls, walls to floor, floor to stumps
    - Requirement to bring up to current building code standards re energy efficiency, water efficiency, lighting, glazing, stairs, balustrading, waterproofing, etc.

- Specialist reports – soil, asbestos removal, heritage,
- Approval costs, timeframe, and expiry duration
- Inspections required
- What do they do in the approval process versus the house removalist versus you

- Use this information to help your specific property due diligence when you are looking at vacant land and houses for relocation, so that you know what you are looking for.

Building Design Requirements

- Consult with recommended building designer/s that have experience in house relocation building approval to determine the requirements and process in your areas of interest, e.g.
    - Building design process, timeframe and cost
    - Property set-back requirements
    - Site cover requirement
    - Maximum height requirement
    - Will they measure up and draw the existing house plans?
    - Can they recommend an engineer with specific experience with relocatable houses?

Step 4 - Street Focussed Research

Street Focussed Research

- For each of the vacant blocks of land on your prioritised target list, research the individual streets and how well they match the market's needs, e.g. proximity to public transport, private school, café strip, parkland, employment, views etc. Highlight on the map.
- Highlight the streets in the target areas that you want to avoid, e.g. flood prone, steep, backs onto train line, main road, etc.
- Become an area expert!!

Step 5 - Specific Property Due Diligence

- ✓ Ascertain the potential to buy under market value

House Being Relocated

- ✓ Research the characteristics of the house/s being considered for relocation, including:
    - Demolition control / heritage
    - Construction of the house regarding ease of relocation and renovation
    - Size regarding width and length – single or double shift, and hence subsequent renovation required
    - Size re number of bedrooms, bathrooms etc., what the target market wants in the end product, and hence renovation required
    - Age of the house and services – hence need to re-wire, re-plumb, bring up to current building code, e.g. tie-down roof, walls, floor, etc.
    - Need to upgrade to meet current energy efficiency ratings e.g. plumbing, lighting, insulation, glazing
    - Asbestos and the need to remove, e.g. wall linings interior and exterior, roof material, soffit material, piping, vinyl, etc.
    - Capacity to reconfigure and add bedrooms and bathrooms
    - Ease of undertaking the renovation, structural walls etc.
    - Condition of the property and the extent of the renovation required once relocated to site, e.g. cosmetic, structural or extension
    - House cost and what this covers
- ✓ Have the house removalists inspect the house/s, and if you are not skilled yourself, use a builder to assist you during your property inspection/s to undertake the required due diligence and to determine what specific works may be required to the property both in preparation to move it and at the final destination site.




House had several extensions and renovations over the years and given its large size would need to be cut in half and moved as a double shift. Extra engineering due diligence required, given the extensions done.

Characteristics of the Destination Land

- Undertake detailed due diligence on the individual vacant blocks of land to confirm their capacity to take a relocatable house, including potential opportunities and constraints, e.g.
    - Distance from where the relocatable house is currently located
    - Covenants that may restrict what can be done on the land
    - Council regulations that may restrict what can be done on the land
    - Ease of access to the block, e.g. above ground infrastructure at the front of the property – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, public mail boxes, car parks, parking meters, substations, etc.
    - Ease of access to the final house site, e.g. distance to neighbouring houses, fence lines, significant trees and vegetation
    - Position of existing infrastructure being retained, e.g. shed and capacity to manoeuvre around
    - Location of services regarding manoeuvring around, e.g. overhead power lines, underground power lines, power pole position, manholes, fire hydrants, sewer line, disused septic tanks, buried water tanks, Telstra pit, etc.
    - Existence of services to be connected into, e.g. power, water, sewer, gas, Telstra
    - Physical characteristics of the land, e.g. slope, soil type / geophysics



Major drainage line gully encroached on the site. Geotech assessment required but no flood study. Sewer manhole and significant trees also onsite.

- Research the site's compliance with any council requirements that may need to be fulfilled and detail any works that may be needed to be able to comply:
    - Overland water flow
    - Flooding
    - Storm water management
    - Car parking including visitor parking
    - Driveway widths and construction
    - Footpaths
    - Private open space, etc.
- Research the capacity to meet building design requirements on the site for the preferred house being relocated including:
    - Site cover
    - Setbacks
    - Maximum Height
- For the shortlisted sites, have the house relocation company and builder meet on site to confirm your research and the suitability of the site for the house you are looking to relocate.

- Research the property's potential to be further developed, including capacity to:
    - Convert the relocatable house into dual occupancy
    - Add a second dwelling underneath the relocated house
    - Add a secondary dwelling or granny flat to the site
    - Subdivide any vacant land on site
    - Develop additional dwelling/s on site



Land size would allow house relocation plus potential duplex approval, hence additional dwelling on site. Positioning of relocated house needed to accommodate potential for second dwelling.

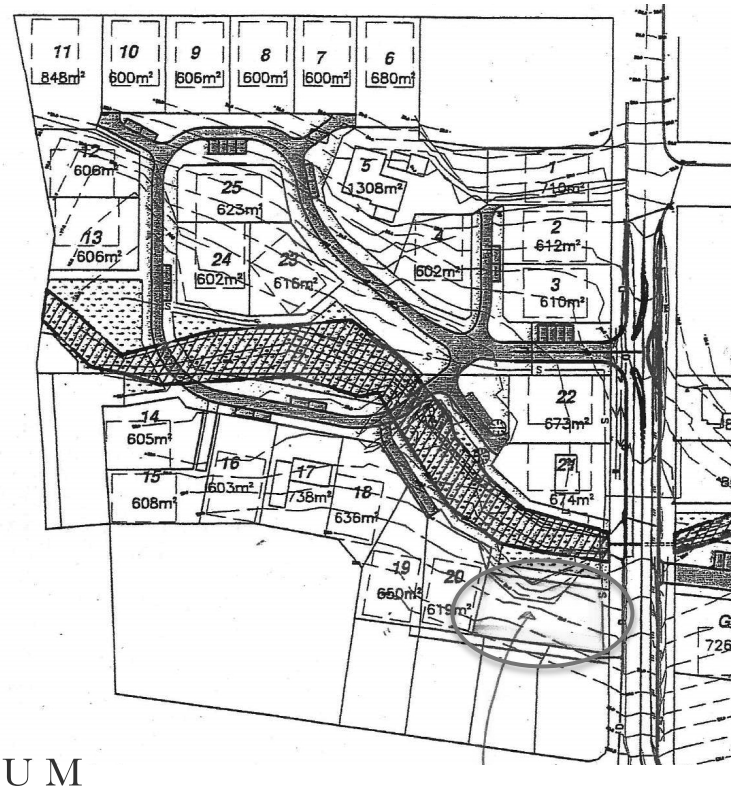
- Where existing structures already exist on site and intend to be retained, research the items in the early stages of reviewing target sites. These items may, however, need to be revisited and further researched in greater detail during the conditional period of the contract:
    - Illegal building works onsite – structure not council approved,
    - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety,
    - Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat,

- Works not council approved, not done to the building code, or not done by appropriately licensed or qualified person
- Condition of the structure – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation

- Research general site-specific constraints including:
  - Contaminated site
  - Easements – sewer, power, access ways
  - Encroachments – survey site
  - Caveat or other encumbrances
  - Notation on registered survey plan
  - Neighbour disputes
  - Council show cause notices
  - Heritage listed buildings
  - Capacity of services – electricity, water, gas, etc.
  - Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units / apartments / commercial, etc.
  - Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours
  - Noise pollution – road, flight path, industry, birds and bats etc.
  - Air pollution – road, industry
  - Subsidence – underground mining and earthworks
  - Cyclone rating requirements for the relocated house
  - Earthquake, tsunami, sea level rise
  - Crime rate
- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the

conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.

- Use the various tools for researching individual properties including:
    - Council and council website,
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Town planners
    - Locals and neighbours
    - House removalist
    - Builder
    - Building certifier
    - Building designer
    - Surveyor
    - Plumber and electrician
    - Handyman
    - Solicitor





Due diligence revealed that vacant land next door had DA approval for 27 lots. This was important for marketing, as it highlighted potential for the site to adjoin a brand new subdivision in the future.

Step 6 – Your "A" Team

The Initial Team

- House removalist
- Builder
- Tradespeople including plumber, electrician
- Building certifier
- Building designer
- Building and pest inspector
- Council
- Town planner
- Land surveyor
- Lawyer that specialises in property
- Moneylender or Broker
- Real estate agent / purchasing agent
- Sales agent if you are planning to sell

- Property manager if you are planning to rent or sell to an investor
- Valuer

The Subsequent Team

- Specialist consultants, e.g. Interior designer / colour consultant, engineer, heritage, cultural heritage
- Advertising agency
- Body corporate manager
- Insurance broker
- Staging consultant
- Depreciation specialist (quantity surveyor) - if renting end product or selling to an investor

The Individuals

- Look for individuals that specialise in house relocation and renovation
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of Professional Associations where relevant, e.g. Building Assoc., Law Society, Institute of Quantity Surveyors, etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' Team understand your time constraints
- Check on the progress of individuals to keep them on target

Step 7 – Draft Scope of Works

- List all works required on the house to prepare it for relocation and clarify who is responsible for arranging these works – you or the house removalist. Works include:
    - Disconnect the house from services including power, water, sewer, Telstra, gas
    - Remove asbestos along the cut-line if its a double shift house that needs to be cut
    - Remove asbestos as per council requirements to relocate the property
    - Ensure a tap is left connected on site for the asbestos removal company
    - Remove fences, retaining, trees and vegetation that is in the way of removing the house from site
    - Install sediment and erosion control measures as required
    - Install temporary fencing to secure the site while works occur
- List all works required to prepare the vacant land for the relocatable house and confirm who is responsible for these works – you, the house removalist, or the builder. Works include:
    - Remove vegetation, trees, retaining walls, fencing, and infrastructure in the way, e.g. shed
    - Level the house pad as per the approved plans
    - Surveyor to peg out the final house position
    - Install sediment and erosion control measures as required
    - Install a tap onsite
    - Connect power to the site
    - Install a porta-loo
    - Install temporary fencing
- List all works required to re-establish the house at the new site and clarify who is responsible – the house removalist or builder
    - Re-stump the building
    - Install stairs
    - For a double shift house where it was cut in half:

- ✓ Structurally secure along the cut line the two building pieces together – roof, walls, floor
- ✓ Re-screw the existing roof or install a new one
- ✓ Re-clad the exterior on the cut line
- ✓ Re-line the internal walls on the cut line
- ✓ Repair the cut line in the floor

- Reconnect to services, e.g. power, water, sewer, Telstra, gas
- Rewire and re-plumb the house if required
- Install tie-downs and bracing as per building approval
- Works to meet building and plumbing approval – building code, including wet sealing wet areas, achieving energy efficiency rating, etc.

- List all works required to make-good the original house site – if this was part of the agreement, e.g.
  - Remove old stumps and footings left behind
  - Clear the site of debris
- List all renovation works proposed to the exterior of the newly relocated building, e.g.
  - Roof, gutters, downpipes
  - Windows and doors
  - Painting, rendering, bagging
  - Lighting
  - Stairs
  - Veranda / balcony / patio / pergola
  - Balustrade
  - Carports / garage
  - TV Aerial
  - Make good repairs

- List all renovation works proposed to the interior of the newly relocated building, e.g.
    - Kitchen
    - Bathroom
    - Laundry
    - Painting
    - Floor coverings
    - Wall coverings
    - Lighting / fans / air conditioning / heating
    - Electrical
    - Robes
    - Doors and door handles
    - Make good repairs
- List all landscaping and finishing site works to the new site, e.g.
    - Gardens
    - Turf
    - Garden edging
    - Retaining walls
    - Garden shed
    - Driveway
    - Paths
    - Fencing and gates
    - Drainage works
    - Irrigation
    - Letterboxes
    - Clotheslines
    - Car parks
    - Frontage works – council verge
    - Pool, spa, etc.

Step 8 – Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the house for relocation
- Research the costs to purchase the land
- Research the costs to relocate the house to the new site
- Research the costs to re-establish the house at the new site
- Research the cost to renovate and complete the strategy
- Research the costs to make-good the original house site – if applicable
- Research the market value of the end product – rental and sale
- Research the demand of the end product – rental and sale
- Research the various exit strategies
- Research and create a realistic timeline of the entire project, including approvals phase, financing phase, preparation works, relocation works and renovation phase, sales phase, etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies
- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility
- If you are having trouble getting your rough feasibilities to stack up, consider completing reverse engineered feasibilities on similar completed properties in your area to better understand the numbers and what they need to be to make a deal profitable

Detailed Feasibility

- Prepare numerous feasibility studies with varying options prior to committing to purchasing the removal house and land, e.g. relocate near or far, single versus double shift cosmetic vs. structural renovation
- Always enter full amounts in costings, not potential discounted prices
- Calculate legal fees and establishment cost as well as any duties or taxes
- Calculate expected sales income and balance it against the expected return

- There is no specific target profit level for a house relocation and renovation strategy, although 20% profit on cost is a great target. Do not be surprised though if it is less given that house relocation can be a relatively cash intensive strategy – particularly a double shift. You have to determine, therefore, what profit you are prepared to accept for the cost, cash required, time, risk, and management required.
- Visit other similarly renovated properties and analyse their data; sale price, rent, location, buyer profile, etc.
- Talk to real estate agents in your area
- Make timelines realistic – allow for inclement weather, financing delay, approvals delay, house relocation and renovation works delay, delay in sale, and unforeseen hold ups
- Estimate timeframes for how long it will take to gain any returns.
- If your feasibility studies show that your project is not financially viable, review the costings with your house removalist, tradespeople, builder, consultants and sales agent/s. If it is still not viable - DO NOT proceed.
- Continually update and review your detailed feasibility as your costs are updated with each new quote, and as more information comes to light.
- Assess the tax implications of your project e.g. GST (depending on the extent of works), Capital Gains Tax, Income Tax, Land Tax

Purchasing, Finance Fees and Charges, and Hold Costs

- Removal house cost
- Land purchase cost
- Due diligence costs (building and pest, builder and building certifier's assessment, specialist reports e.g. engineer, soil)
- Conveyancing and title search fees
- Stamp Duty (vary from State to State)
- Legal Fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender

- Accountancy fees
- Interest on finance
- Insurances
- General site maintenance e.g. mowing, repairs

Approvals, House Relocation, Renovation and Sales Costs

- Application and lodgement fees (Council Approval, Building Certifier Approval, and service providers)
- Consultant fees (town planner, building certifier, specialist consultants / reports)
- House relocation works and re-establishment works
- Original site make-good costs – if applicable
- Renovation works
- Site survey
- Advertising and marketing costs
- Staging fee
- Legal fees on the sale
- Sales commissions
- Maintenance upon completion e.g. watering, mowing
- Annual council rates
- Land taxes (can vary from State to State)
- Insurance to cover the property prior, during and after works
- Sundry costs – allow extra for any additional costs that you may incur

Step 9 – Choosing Your Site

Choosing your site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 10

Ensure Ownership Structure is Setup

- Ensure the ownership structure is setup and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection and tax implications
- Types of structures include:
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 10 – Negotiating and Settling on the Land Purchase

Initial stages of acquisition

- Decide if you will negotiate the purchase or use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

Negotiating the land purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct and that you understand all conditions and clauses
- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing

Process upon acceptance of offer

- On signing a contract ensure that you organise a cover note for Public Liability Insurance over the vacant land. Consider if Building and Contents Insurance is also required depending on the other infrastructure on site
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them with a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. build and pest, site survey, specialist reports like soil, flood, etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants, etc.
- Consult progress designs and reports
- Conduct specialist assessments and reports if required
- Lodge approval applications with council and building certifier

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement
- Inspect the land a day or two prior to settlement to ensure it is in the condition that you expect it to be, based on the contract
- Make sure your lawyer does a final Land Title Search the day prior to settlement
- If the property has existing infrastructure that is tenanted, consider if Landlord Tenant Protection Insurance is warranted, and if so take it out
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment
- Have electricity account changed to your name if vacant possession on settlement

Step 11 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in house relocations and renovations
- Ensure that you deal with a lender / broker that understands your needs
- Ensure that contracts are subject to finance
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire house purchase, relocation and renovation works - not just the land purchase. This may or may not be achievable as most banks won't fund the purchase of a relocatable house or fund the relocation process because there is very little security for the bank while the house is in transit. You may have a better chance though at having the renovation works financed, depending on the end value and your financials.
- Make sure that you include all the relevant documentation in your application
- Advise finance broker / institution that the property is under contract and subject to finance and potentially other conditions – provide them with a copy of the contract.

- Complete a finance application submission and present it to the broker

What to include in your application for finance

- Introduction
- Financial proposal / commitment
- Site information – mapping, description
- House relocation and renovation proposal
- House purchase contract
- House relocation contract
- Building quotes or contracts
- Concept design description and drawings
- Demographic and target market for sale
- Complete financial analysis of costs, expenses and projected profits
- Cash flow analysis
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your renovation experience, financial history, assets and cash flow
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject land as your security and be wary of cross securitisation with other property you own

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- Instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation

Step 12 – Surveying, Schedule of Works and Approvals

Surveying

- Enlist a land surveyor to establish the boundaries of the land to confirm no encroachments etc.
- Survey will be used by building designer in the approvals process and house set out process

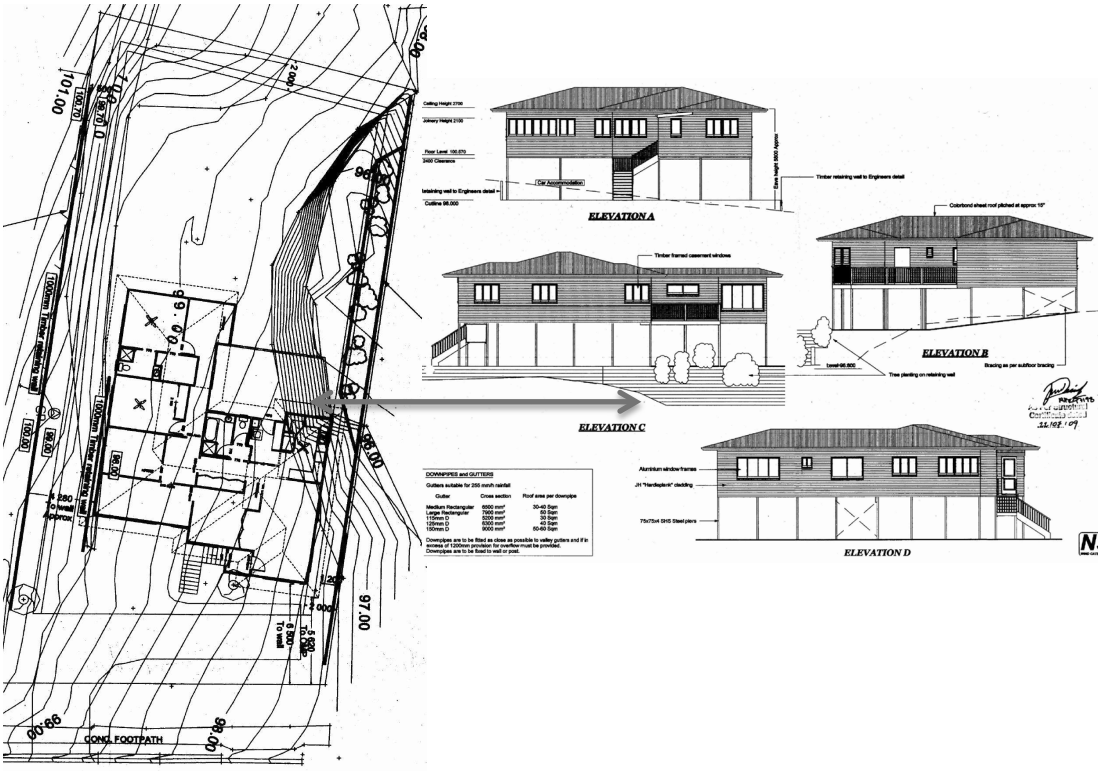
Finalise Schedule of Works and Works Program

- Confirm the list of works for the house relocation and renovation
- List the contractors and tradespeople required
- Prepare a detailed schedule of works and specifications list with the finishes and fixtures for each trade to facilitate quoting and to ensure each quote is based on the same works, finishes and fixtures, e.g. carpenter / builder, plumber, electrician, plasterer, painter, landscaper, etc.
- Prepare a detailed works program and schedule detailing the sequence of works to occur, the timing, the contractors/trades responsible and identify the key milestones and tasks that could delay subsequent works
- Identify what works are to be completed by you

Detailed Design and Approvals

- Prepare approvals including:
    - Demolition / house removal approval – council consent to removing the relocatable house from its original location
    - Relocation approval – council consent to the house being relocated to the new location

- Building approval and plumbing approval – consent to re-establish the house and renovate it at its new location
- Prepare necessary design plans and documentation as required, and lodge



Site plan on left showing proposed house position on the block and elevation plans on right. Arrow shows gully area that needed to be retained and reclaimed prior to the house relocation.

Step 13 – Selecting Key Consultants and Tradespeople

Selecting Building Designer, Building Certifier, Engineer and Surveyor

- Make sure that they are a member of your State's professional association or institute for their profession
- Meet and discuss your project
- Confirm that they have done house relocations and renovations before and that they are confident with what is required for compliance
- Discuss the range of services you require and if you do not understand the services – ask for an explanation

- Ask for the fees that you are likely to have to pay – and for a quote once the project parameters have been determined
- Make sure you feel comfortable with them and that you get the responses you want
- Ask about other similar house relocation projects that they have done and if possible speak to former clients

Selecting House Removalist, Builder and Tradespeople

- Request referrals / recommendations from your team e.g. house removalist, building certifier, surveyor, building designer
- Get to know builders in your area and the types of projects they do
- Check licences and history to ensure they are qualified to do the works you are proposing, and that their history is clear and there are no disputes
- Make sure you feel comfortable with them, that you get the response you want, and that they respond in a timely manner to your requests
- Ask to look at examples of renovations that they have completed recently and also older projects to assess their workmanship quality over time
- Speak to former clients
- Determine their workload to ensure they can give attention to your project
- Request their timeframe to complete your project and potential start date
- Confirm who will be doing the onsite works, who will be supervising, who are the main tradies, contractors and how long have they worked together for the builder
- Ask if they are doing or have done similar projects
- Get all works quoted, preferably three quotes per trade / item
    - Get the house removalist, builder and trades people to advise on the works and to offer cost saving initiatives
    - Get a final fixed price quote and time contract

Building Certifier Checklist

- Inspect the building being relocated and the destination site and confirm what works are required to meet council and building code requirements
- Assist with documentation that may be required for council and building approval

- Obtain necessary authority approvals
- Inspect construction works to fulfil council and building approval requirements

Building Designer Checklist

- Prepare design plans for council or building approval
- Liaise with building certifier to obtain approvals

House Removalist, Builder and Key Trades Checklist

- Get a fixed price based on the works list and design plans
- Ensure all quotes and/or contracts are signed and prices clearly specified and that you understand all contract conditions and clauses
- House removalist, builder and tradespeople attend to the defects list
- Confirm who is responsible for any site clean up at the original site and on completion at the new site
- House removalist, builder and tradespeople hand over all inspection certificates, guarantees, warranties, booklets and user manuals upon completion

Step 14 – Applications, Permits, Quotations and Contracts

House Relocation and Building Approval

- Submit documents to council for demolition / house removal approval
- Submit documents to council for house relocation approval
- Submit plumbing plans to council for plumbing approval
- Submit working drawings and engineering plans, energy efficiency assessment, and all other required documentation to the building certifier or council for building approval
- If council approval for cultural heritage works is required, prepare and submit to council

Quotations

- If house removalist, tradespeople and builder have not already been selected, obtain quotes, minimum of three per trade
- Negotiate on quotes and select preferred ones
- Obtain copies of contractor's licences and insurances to ensure that they are qualified to do the works and that they have the relevant insurances, and that all documents are current and will remain current for the duration of your project
- Conduct searches on the contractor's licences with the relevant building industry authority in your State to confirm their status and history
- For company entities conduct searches to confirm their history
- Tradespeople / builder are selected, quotes finalised and signed off on and where required, contracts are negotiated
- Ensure quotes, contracts and supporting documents don't include any unusual clauses
- Update feasibility analysis based on quotes

Contract Due Diligence

- Ensure that you understand your contract documents thoroughly
- Seek legal advice if necessary for anything that you are unclear about
- Ensure that the name and number on the licence matches the contract
- Ensure that all plans, specifications and approvals are all clearly specified in the contract
- Clarify the terms of progress payments in the contract if any
- Note any cooling off periods stated in the contract
- Ensure a finance clause is included in contracts if house removal, relocation and renovation is subject to finance approval
- Clarify what the house removalist's and builder's insurance will cover
- Clarify contract date commencement and conclusion, and your rights
- Ensure that contracts have been completed properly and there are no blank spaces
- Contracts should clearly state:
    - Start and finish dates

- Rates for variations
- Liquidated damages if the project runs late
- A defects liability period
- A dispute resolution process
- A clear and concise contract price
- A list of prime cost allowances

- ✓ Ensure that any deposits paid are within the legal limits and timeframe
- ✓ Notify in writing when conditional contract clauses are satisfied e.g. finance approval
- ✓ Notify in writing when the site is being officially handed over to the house removalist and builder
- ✓ Ensure that all variations to the plans or specifications are in writing and signed by both parties
- ✓ Clarify who is responsible for approval applications
- ✓ Ensure that you have a copy of all approvals, signed contracts, insurances and a certificate of insurance from the building authority in your State prior to work commencement
- ✓ Ensure you have received and understand the Building Act in your State that regulates the renovation works you propose to have done
- ✓ Confirm contact details for the primary contractors

Step 15 – Undertake Works Program

Removal House Preparation Phase

- ✓ Preparing the removal house for relocation may be your responsibility to manage, the responsibility of the person from whom you are buying the house, or the house removalist's responsibility.
- ✓ Do not undertake demolition works yourself that you are not qualified to do.
- ✓ Notify neighbours in advance of any works that may affect them, e.g. fence removal, tree lopping, noisy demolition works, asbestos removal. Where possible adopt a good neighbour policy – you never know when you may need their assistance.
- ✓ Disconnect the house from services including power, water, sewer, Telstra, gas.

- Retain a tap connected on site for clean up works.
- Remove asbestos along the cut-line if it's a double shift house that needs to be cut. Remove other asbestos as per council requirements to relocate the property.
- Ensure that a licensed asbestos removal contractor is used regardless of the size of the job. Have the asbestos removal company issue a clearance certificate on completion.
- If a demolition contractor or house removalist are involved, include in either of their contracts any required asbestos removal and final site clearing. This is so that there is one primary contractor responsible for the site. That way there are no issues as to who is responsible if any asbestos or debris is missed or left behind.
- Remove fences, retaining, trees and vegetation that is in the way of removing the house from site.
- Install sediment and erosion control measures as required.
- Install temporary fencing to secure the site while works occur.



House prepared for removal – asbestos removed, front veranda and stairs removed, house cut in half (see arrow), house raised and roof prepared.



Vacant Land Preparation Phase

- Preparing the vacant land for the relocation house may be your responsibility to manage, the responsibility of the house removalist, or the builder.
- Notify neighbours in advance of any works that may affect them, e.g. fence removal/replacement, tree lopping, noisy earthworks and demolition works.
- Where possible adopt a good neighbour policy – you never know when you may need their assistance.
- Remove vegetation, trees, retaining walls, fencing, and infrastructure in the way e.g. shed.
- Level the house pad as per the approved plans.
- Surveyor to peg out the final house position.
- Install sediment and erosion control measures as required.
- Install a tap onsite and connect power to a temporary power pole.
- Install a Porta-loo for contractors.
- Install temporary fencing to secure the site.



House Relocation Phase

- Notify neighbours at the original site when the house will be removed – give prior warning as the removal typically occurs late at night.
- Notify neighbours at the destination site when the house will arrive – give prior warning as the relocation typically occurs late at night and if it is a double shift house it many be over several nights.
- House removalist conducts the house relocation process.



Second section of house positioned in place and raised to required height.

House Re-establishment Phase

- The house removalist will be responsible to re-establish the house at the new site, however, some of the works may be done by the builder.
- Re-stump the building

- Install stairs
- For a double shift house where it was cut in half:
    - Structurally secure along the cut line the two building pieces together – roof, walls, floor
    - Re-screw the existing roof or install a new one
    - Re-clad the exterior on the cut-line
    - Re-line the internal walls on the cut-line
    - Repair the cut-line in the floor
- Reconnect to services, e.g. power, water, sewer, Telstra, gas
- Rewire and re-plumb the house if required
- Install tie-downs and bracing as per building approval
- Works to meet building and plumbing approval – building code including wet sealing wet areas, achieving energy efficiency rating etc.

Site Clean Up Phase at Original Removal House Site – If Applicable

- Cleaning up the original removal house site may be your responsibility to manage, the responsibility of the person from whom you bought the house, or the house removalist's responsibility
- Remove old stumps and footings left behind
- Clear the site of debris
- Remove temporary fencing and sediment / erosion control works



Septic tank needed to be decommissioned and removed, plus all concrete piers, footings, driveway and paths.

Renovation Phase

- Provide all contractors with the project works schedule so that everyone is aware of your expectations regarding timing, start and completion dates, key milestones and critical path item etc.
- Call each trade two weeks prior to them being required on site to ensure they are on schedule. Re-contact again one week out to reconfirm and then again the day prior – organisation is key if you are project managing the works.
- If a delay is encountered, advise affected trades immediately to allow them to reschedule.
- Ensure all materials and supplies are available onsite prior to works commencing to prevent delays.
- Ensure pre-orders are complete in a timely manner where lead times exist in manufacturing and supply e.g. cabinetry, windows, doors, etc.
- Conduct regular site meetings, daily or weekly depending on the project. Meet with the key tradespeople or builder in order to inspect progress, update on the works schedule, order supplies where required, resolve issues, deal with payments, etc.

- Where possible inspect all tradespeople's work on completion - prior to them leaving site, so any issues can be identified and resolved in a timely manner – speak up if you have an issue.
- Pay all accounts as soon as possible to ensure the tradespeople are motivated to work with you in the future.
- Do not pay an account that you haven't already inspected the works for and are satisfied with its completion.
- Ensure you do not do works that must be completed by a qualified tradesperson.
- For projects where you have construction finance for the works, the bank's valuer is likely to inspect the site and monitor progress payments.
- Ensure that progress payments reflect work completed on the site.
- If the site is being officially handed over to a builder and they are responsible for the whole site, make sure you always advise them when you intend to go on site, and when the valuer or quantity surveyor need to attend site.
- Ensure all inspections are undertaken as required by the building certifier, engineer, council, and services authorities at the required stages as per the approval notices.
- Any comments, concerns, or uncertainties should be raised as early as possible in the process to ensure they do not get out of hand.
- Record all daily activities and communication (in person, phone, email, fax) in a diary throughout the works process.



Full structural renovation complete inside and out including addition of rear deck, removal of walls, upgrading all finishes inside and out. House brought up to current building code including energy efficiency rating.

Completion Phase

- Review all of your approval documents and confirm that every condition has been fulfilled
- Builder, engineer, building certifier and consultants carry out final inspections upon completion
- Complete a defects list and arrange for it to be attended to
- Re-inspection of repaired defects
- If council town planning approval was required at the outset, council may inspect the works to ensure it complies with the approvals
- Request refund of house removal bond if held by council
- Service providers and other authorities may also be required to inspect the site on completion
- If required, as-construct-plans are produced by the builder, plumber, electrician, engineers and submitted to council
- Bank valuer completes final inspection

Step 16 – Marketing For Sale

Prior to Marketing your Project

- Visit renovated houses and display homes to get ideas for your marketing strategy
- Critically examine and photograph other projects
- Collect brochures and sales data from other properties
- Make up files that include all of this data
- Talk to project sales agents and ask for customer's criticisms
- Determine price resistance levels
- Review recent market values, both sold and currently on the market
- Decide on a price range you can offer for each property based on your research
- Discuss project with your shortlisted real estate agents and request their feedback on sale price and marketing strategy

- Update your feasibility analysis with the proposed sale prices
- Prepare marketing plan and organise marketing material

Sales Agent Selection

- Research real estate agents that have experience selling the type of product you are producing in the area you are producing it
- Interview the shortlisted agents and have them submit a marketing proposal to you
- Call previous clients to confirm the quality of the agent/s
- Engage your preferred agent on a short exclusive period initially in order to assess their capabilities, and extend their contract if they are performing to your satisfaction

Advertising and Marketing Costs

- Sign writers, Graphic designer to design branding / signage
- Printers to print brochures or print media for promotion of the project
- Obtain media costs for advertising in newspapers, online, etc.
- Keep a record of advertising rates for various sizes
- Real estate agents will expect you to pay for your own advertising

Commencement of Marketing

- On completion of works, present the property with staging furniture
- Have professional photographs taken, including aerial view photos if appropriate
- Create a pictorial signboard of the property and list features that will attract buyers based on your due diligence
- Create a website for the project if warranted and commence online marketing
- Print brochures or other promotional media
- Make sure you direct ads at your target market to generate inquiries
- Monitor and record responses on marketing so that you know which media is most effective

- Record contact details of interested parties so that you can direct market to them in the future
- Ensure that the deposit has been banked into the agreed account
- Monitor the agent's sales activity



Ready for sale - professional photos and staged interior plus DA approved plans for additional dwelling at rear (Unit B).

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to beginning your project so that you understand your obligations
- Put structures in place to minimise risk and maximise tax benefits
- Determine the bank account to be used for carrying out the project
- Create a system for filing invoices and recording all payments
- Determine the land tax payable, if any, for the area you are looking at
- Submit all relevant documents to your accountant on completion of the project

Capital Gains Tax / Income Tax

- Record all of your expenses throughout the development process
- Understand your Capital Gains Tax / Income Tax obligations
- If Capital Gains Tax / Income Tax is payable, allocate those funds on completion of the project, so that you know they are available for when payment is required
- Pay Capital Gains Tax / Income Tax when required

GST (Goods and Services Tax) – If Applicable

- Determine if you need to pay GST depending on the extent of the house relocation and renovation, and register if necessary
- Understand your GST obligations – if any
- Get your accountant to calculate the GST and ensure that this money is kept aside
- Keep a record of all of your receipts and invoices for GST purposes
- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements) monthly or quarterly depending on your cash flow requirements
- Following the sale pay any GST owing

Step 18 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes.
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained and the personal development that you experienced.

Project Review

- On completion of the project undertake a review
- Complete an 'actuals' feasibility of the project, detailing the actual costs, income and profit margin
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve

- [ ] Add the project learnings to your master checklist for this strategy so that you are continually improving on your process

PLATINUM
ACCELERATOR

Renovation

The process of renovating a property differs slightly depending on if it is a cosmetic renovation, a structural renovation, or an extension. The latter two require a component of approvals. Building approval will definitely be required and depending on your council, the nature of the property and the works you propose, council planning approval may also be required, e.g. for properties in heritage areas. For the purpose of this checklist, the approval process will be included, but remember that this is unlikely to be required if the project is only a cosmetic renovation. Also, don't forget that renovation is a strategy that can be done not only on residential properties like houses, units and townhouses, but also on commercial and industrial properties and the process is generally very similar. For the purpose of this checklist, a residential renovation is going to be used as the example. As with the previous strategies, the process and terminology may vary slightly between different councils, so modify this checklist accordingly for your location.

The real deal renovation example that's being highlighted throughout the checklist is a house that was bought totally gutted inside and required a full structural renovation. It highlights many of the issues raised. It covers all of the required stages, and will give you a great real-life snapshot of doing a renovation deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?
    - What is your time availability?
    - How far are you prepared to travel?
    - Is your strategy to hold or sell?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances determine what type of region you are targeting including:
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. regional area, within a distance that you are prepared to travel to, within your risk profile, at a price point that meets your budget etc.
- Narrow this down to the top 5 locations of interest that meet your criteria

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations research their specific characteristics including:
    - Population size
    - Infrastructure spending
    - Supply and demand
    - Rental vacancy rate
    - Council's attitude to development
- Based on the research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns.

- For each of your 3 target locations, research the population growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details etc.

Step 2 – Strategy Research and Mapping

Strategy Research

- For each of your three target locations, educate yourself on what the market wants, where it wants it, why, and how it fits your chosen strategy, e.g. renovated three bedroom, 2 bathroom.
- Research and visit other completed renovations in those locations. Learn from them and record characteristics and features, prices, marketing strategies, marketing material, tradespeople and consultants involved etc.
- Research the approval process for completing renovations in each location – cosmetic, structural, extension, whether council approval is required, building certifier approval, plumbing approval etc. For older properties is cultural heritage approval required? What are the approval timeframes etc.?

Grid Variance Analysis

- For each of your areas of interest and for the desired product type, e.g. three bedroom houses, research the price range (low, medium and high)
- Do Grid Variance Analysis comparing the low to the mid of the market in each area
- Use this tool to prioritise your three target areas from highest variance to lowest and focus on the highest area first

Mapping

- Research the infrastructure, amenities, schools, transport etc., of relevance and highlight them on your map
- Research changes in infrastructure planned for the future and depict on map

Search and Data Facilities

- PD Online
- Google, Google maps, Google Earth
- Real estate websites
- Regional councils
- Newspapers and real estate brochures
- Real estate agents
- Talking with locals

Step 3 - Street and Property Focussed Research

Street Focussed Research

- Within each of the three target areas, drill down to the street level and identify target streets that better meet your criteria and highlight on your map, e.g. closest to public transport, private school, café strip, parkland, employment, views.
- Highlight the streets in the target areas that you want to avoid, e.g. flood prone, steep, backs onto train line, main road etc.
- Become an area expert!!

Property Focussed Research – Deal Finding

- In your desired streets, drill down to an individual property level to identify those properties that are worthy of property specific due diligence, e.g. the worst house in the best street, or solid looking houses but dated, or un-kept and poorly presented
- Use search terms to identify potential properties on the internet or to talk to real estate agents or locals, e.g. renovation, renovator's delight, original condition, demolition or tradespeople welcome, 2 bedrooms, 1 bathroom, multiple living areas etc.
- Ascertain the potential to buy under market value
- Use the various tools for finding individual properties of interest, including:
    - Property websites, e.g. realestate.com.au, Investar, Domain, Gumtree, etc.
    - Real estate agents and buyer's agents

- Talking to locals
- Letterbox drops
- Door knocking



Located in a leafy street easy walk to town centre. Advertised for sale "Calling all Builders".

Step 4 - Property Due Diligence

Specific Property Due Diligence

- ✓ Undertake detailed due diligence on the individual properties of interest to confirm their renovation potential, including potential opportunities and constraints:
    - Condition of the property and the extent of the renovation required, e.g. cosmetic, structural, or extension
    - Ease of undertaking the renovation, structural walls, etc.
    - Construction type – timber, brick, etc.
    - Single storey, high-set, two storey
    - Proximity between kitchen, bathroom, laundry re plumbing
    - Property age
    - Heritage or demolition control restrictions

- Signs of concern – major cracks in walls / ceiling / floors / foundation, musty smell and potential rising damp, dry rot, water damage, concrete cancer, etc.
- Termite damage
- Asbestos
- Capacity to reconfigure and add bedrooms and bathrooms

- If you are not skilled yourself, use a builder or skilled handyman to assist you during your property inspection/s to undertake the required due diligence and to determine what specific works may be required to the property



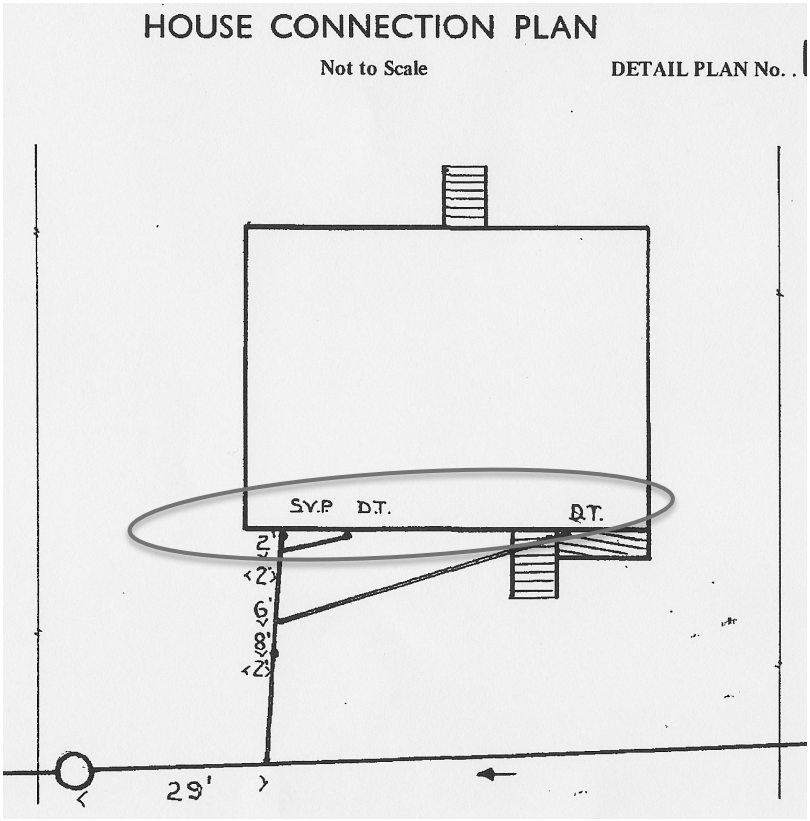

Inspection revealed that the interior was completely gutted, no walls, ceiling, bathroom, or kitchen and holes in floor etc. Exterior ramp had been removed, sewer main ran diagonally through block with manhole on boundary and the house was built pre-1945 so demolition controlled.

- Research the property's potential to be further developed, including:
  - Add secondary dwelling or granny flat
  - Convert to dual occupancy
  - Existence of vacant land to further develop, e.g. subdivide, or add unit/s
- Research the general property due diligence items in the early stages of reviewing target properties. These items may however, need to be revisited and further researched in greater detail during the conditional period of the contract:
  - Illegal building works onsite – structure not council approved
  - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety

- Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat
- Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified person

- Research site-specific constraints, as these may impact when selling the renovation on completion, as other buyers may be sensitive to these constraints, including:
  - Significant trees
  - Steep driveway
  - Potential for overland flow, flooding
  - Soil type – swelling and cracking clays
  - Contaminated site
  - Easements – sewer, power, access ways,
  - Encroachments – survey site
  - Covenants
  - Caveat or other encumbrances
  - Notation on registered survey plan
  - Neighbour disputes
  - Council show cause notices
  - Heritage listed buildings
  - Adjoining properties' condition and tidiness, privacy and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units/apartments / commercial, etc.
  - Road hierarchy – class of the road / street and who manages it, visibility, access restrictions, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours
  - Noise pollution – road, flight path, industry, birds and bats, etc.
  - Air pollution – road, industry
  - Subsidence – underground mining and earthworks
  - Earthquake, tsunami, sea level rise

- Crime rate



House connection plan confirmed the position of the underground plumbing and connection into the sewer main cutting through the back yard (red circle). New building works (e.g. rear deck) need to be minimum of 1.5m off sewer main.

- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.
- If the property is strata titled and part of a body corporate like a unit, apartment, or townhouse, conduct detailed due diligence on the body corporate, including:
    - By-laws
    - Meeting minutes
    - Accounts (sinking and administration fund)
    - Budgets
    - Willingness of the body corporation to approve the renovation works you propose, as approval is likely to be required

- ✓ Use the various tools for researching individual properties including:
    - Council and council website,
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Locals and neighbours
    - Builder
    - Plumber and electrician
    - Handyman
    - Building certifier
    - Town planners
    - Surveyor
    - Solicitor

Step 5 – Your "A" Team

The Initial Team

- ✓ Builder
- ✓ Tradespeople including plumber, electrician
- ✓ Building certifier
- ✓ Building designer
- ✓ Building and pest inspector
- ✓ Council
- ✓ Town planner
- ✓ Land surveyor
- ✓ Lawyer that specialises in property
- ✓ Money lender or broker
- ✓ Real estate agent / purchasing agent
- ✓ Sales agent / marketers if you are planning to sell

- Property manager if you are planning to rent or sell to an investor
- Valuer

The Subsequent Team

- Specialist consultants e.g. interior designer / colour consultant, engineer, heritage, cultural heritage
- Advertising agency
- Body corporate manager
- Insurance broker
- Staging consultant
- Depreciation specialist (quantity surveyor) - if renting end product or selling to an investor

The Individuals

- Look for individuals that specialise in renovations
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant e.g. Building Assoc., Law Society, Institute of Quantity Surveyors, etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress of individuals to keep them on target

Step 6 – Draft Scope of Works

- List all renovation works proposed for the building exterior, e.g.
    - Roof, gutters, downpipes
    - Windows and doors
    - Painting, rendering, bagging
    - Lighting
    - Stairs
    - Veranda / balcony / patio / pergola,
    - Balustrade,
    - Carports / garage
    - TV aerial
    - Make good repairs
- List all renovation works proposed for the building interior, e.g.
    - Kitchen
    - Bathroom
    - Laundry
    - Painting
    - Floor coverings
    - Wall coverings
    - Lighting / fans / air conditioning / heating
    - Electrical
    - Robes
    - Doors and door handles
    - Make good repairs
- List all landscaping and site works, e.g.
    - Gardens
    - Turf
    - Garden edging
    - Retaining walls

- Garden shed
- Driveway
- Paths
- Fencing and gates
- Drainage works
- Irrigation
- Letterboxes
- Clotheslines
- Car parks
- Frontage works – council verge
- Pool, spa, etc.

1	Roof / Wall Tie Down	19	Electrical
2	Wall Bracing	20	Electrical Fittings (lights/fans/Exhaust)
3	Floor Timber Repair	21	Plumbing
4	Repair to Wall Timbers	22	Plumbing Fittings (Shower/Toilet/Vanity/Laundry/Kitchen)
5	Install Beam between B1& B2	23	Plaster Board
6	Enlarge Rear Door (French Doors)	24	Plaster Fix and Set
7	Enlarge Front Door	25	Kitchen Cabinetry
8	Ant Cap Management	26	Kitchen Appliances (Oven, Hot Plate, RangeHood)
9	Exterior Wall Timber Repair	27	Floor Sanding
10	Remove Bathroom Window	28	Tiling / Water Proofing
11	Repair to Windows	29	Tiles
12	Front Fence	30	Shower Screen
13	Front Awning Timber Slat Detail	31	Painting Inside
14	Front Steps Timber Hand Rail	32	Painting Outside incl Fence
15	New - Rear Deck		
16	New - Internal Wall Frames		Landscaping
17	New - Internal Fix out		Robe Shelves
18	New - Timber Fence Entry Arch		
			TOTAL

Draft scope of works for the renovation.

Step 7 – Feasibility Analysis

Initial Rough Feasibility

- ✓ Research the costs to purchase the property
- ✓ Research the costs to complete the strategy
- ✓ Research the market value of the end product – rental and sale

- Research the demand for the end product – rental and sale
- Research the various exit strategies
- Research and create a realistic timeline of the entire project, including approvals phase, financing phase, works and renovation phase, sales phase, etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies
- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility
- If you are having trouble getting your rough feasibilities to stack up, consider completing reverse engineered feasibilities on similar completed properties in your area to better understand the numbers and what they need to be to make a deal profitable

Detailed Feasibility

- Prepare numerous feasibility studies with varying options prior to committing to purchase a deal, e.g. cosmetic vs. structural renovation
- Always enter full amounts in costings, not potential discounted prices
- Calculate legal fees and establishment cost as well as any duties or taxes
- Calculate expected sales income and balance it against the expected return
- There is no specific target profit level for a renovation, although 20% profit on cost is a great target. Do not be surprised though if it is less giving that the building already exists, and your money and time input may be relatively low, particularly if it is a cosmetic renovation. You have to determine therefore, what profit you are prepared to accept for the cost, time, risk and management required
- Visit other renovated properties and analyse their data; sale price, rent, location, buyer profile, etc.
- Talk to Real Estate Agents in your area
- Make timelines realistic – allow for inclement weather, financing delay, renovation works delay, delay in sale and unforeseen hold ups
- Estimate timeframes for how long it will take to gain any returns

- If your feasibility studies show that your project is not financially viable, review the costings with your tradespeople, builder, consultants and sales agent/s. If it is still not viable - DO NOT proceed
- Continually update and review your detailed feasibility as your costs are updated with each new quote and as more information comes to light
- Assess the tax implications of your project, e.g. GST (depending on the extent of works), Capital Gains Tax, Income Tax, Land Tax

Purchasing, Finance Fees and Charges, and Hold Costs

- Property purchase cost
- Due diligence costs (building and pest, builder and building certifiers assessment, specialist reports, e.g. engineer)
- Conveyancing and title search fees
- Stamp Duty (varies from State to State)
- Legal Fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender
- Accountancy fees
- Interest on finance
- Insurances
- Property management fees if tenanted
- General site maintenance, e.g. mowing, repairs

Approvals, Renovation, and Sales Costs

- Application and lodgement fees (council approval, building certifier approval and service providers)
- Consultant fees (town planner, building certifier, specialist consultants / reports)
- Renovation works
- Site survey - if required

- Advertising and marketing costs
- Staging fee
- Legal fees on the sale
- Sales commissions
- Maintenance upon completion, e.g. watering, mowing
- Annual council rates
- Land taxes (can vary from State to State)
- Insurance to cover the property during and after works
- Sundry costs – allow extra for any additional costs that you may incur

Step 8 – Choosing Your Site

Choosing your Site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 9 below

Ensure Ownership Structure is Setup

- Ensure the ownership structure is setup and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications
- Types of structures include
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 9 – Negotiating and Settling on the Property Purchase

Initial stages of acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen

- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

Negotiating the property purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct and that you understand all conditions and clauses
- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing

Process upon acceptance of offer

- On signing a contract ensure that you organise a cover note for Building and Public Liability Insurance over the entire property. Consider if contents insurance is also required, e.g. furnished property
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them a copy and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances, etc.
- Meet onsite with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. build and pest, site survey, specialist reports like flood, etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants, etc.
- Consult progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications if required

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be, based on the contract
- Make sure your lawyer does a final Land Title Search the day prior to settlement
- If the property is tenanted, consider if Landlord Tenant Protection Insurance is warranted, and if so take it out
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment
- Have electricity account changed to your name if vacant possession on settlement

Step 10 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in renovations
- Ensure that you deal with a lender / broker that understands your needs
- Ensure that contracts are subject to finance
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire renovation works, not just the initial property purchase
- Make sure that you include all the relevant documentation in your application
- Advise finance broker / institution that the property is under contract and subject to finance and potentially other conditions – provide them with a copy of the contract
- Complete a finance application submission and present it to the broker



Financing the purchase of an uninhabitable dwelling is restrictive.

What to include in your application for finance

- Introduction
- Financial proposal / commitment
- Site information – mapping, description
- Renovation proposal
- Building quotes or contracts
- Concept design description and drawings if required
- Demographic and target market for sale
- Cash flow analysis
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your renovation experience, financial history, assets and cash flow
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross securitisation with other property you own

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- Instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation

Step 11 – Mapping, Schedule of Works, and Approvals

Mapping – Extension Renovation

- Enlist a land surveyor to establish the boundaries of any property purchased to confirm no encroachments, etc.
- Survey will be used by building designer and in approvals process

Finalise Schedule of Works and Works Program

- Confirm the list of works for the renovation
- List the tradespeople required
- Prepare a detailed schedule of works and specifications list with the finishes and fixtures for each trade to facilitate quoting and to ensure each quote is based on the same works, finishes and fixtures, e.g. painter, plumber, electrician, carpenter / builder, landscaper etc.
- Prepare a detailed works program and schedule detailing the sequence of works to occur, the timing, the trade responsible and identify the key milestones and tasks that could delay subsequent works
- Identify what works are to be completed by you

Detailed Design and Approvals

- Where building approval, plumbing approval, or council approval is required, prepare design plans and documentation as required, and lodge

Step 12 – Selecting Key Consultants and Tradespeople

Selecting Building Designer, Building Certifier and Surveyor

- Make sure that they are a member of your State's professional association / institute for their profession
- Meet and discuss your project
- Confirm that they have done renovations before and that they are confident with what is required for compliance
- Discuss the range of services you require and if you do not understand the services – ask for an explanation

- Ask for the fees that you are likely to have to pay – and for a quote once the project parameters have been determined
- Make sure you feel comfortable with them and that you get the responses you want
- Ask about other similar renovation projects that they have done and if possible speak to former clients

Selecting Tradespeople (and Builder if Required)

- Request referrals / recommendations from your team, e.g. building certifier, surveyor, building designer
- Get to know builders in your area and the types of projects they do
- Check licences and history to ensure they are qualified to do the works you are proposing and that their history is clear and there are no disputes
- Make sure you feel comfortable with them, that you get the response you want, and that they respond in a timely manner to your requests
- Ask to look at examples of renovations that they have completed recently and also older projects to assess their workmanship quality over time
- Speak to former clients
- Determine their workload to ensure they can give attention to your project
- Request their timeframe to complete your project and potential start date
- Confirm who will be doing the onsite works, who will be supervising, who the main tradies, contractors are and how long they have worked together for the builder
- Ask if they are doing or have done similar renovation projects
- Get all works quoted, preferably three quotes per trade / item
    - Get the builder and tradespeople to advise on the works and to offer cost saving initiatives
    - Get a final fixed price quote and time contract

Building Certifier Checklist

- Inspect the existing building and confirm what works are required to meet building code requirements

- Assist with documentation that may be required for building approval
- Obtain necessary authority approvals
- Inspect construction works to fulfil building approval requirements

Building Designer Checklist

- Prepare design plans if required for council or building approval
- Liaise with building certifier to obtain approvals

Builder and Key Trades Checklist

- Get a fixed price based on the works list and design plans
- Ensure all quotes and or contracts are signed and priced clearly and that you understand all contract conditions and clauses
- Builder and tradespeople attend to the defects list
- Confirm who is responsible for any site clean up on completion
- Builder and tradespeople hand over all inspection certificates, guarantees, warranties, booklets, and user manuals upon completion

Step 13 – Applications, Permits, Quotations and Contracts

Building Approval – If Required

- Submit plumbing plans to council for plumbing approval
- Submit working drawings and engineering plans, energy efficiency assessment, and all other required documentation to the building certifier or council for building approval
- If council approval for cultural heritage works is required, prepare and submit to council

Body Corporate Approval – If Required

- Submit request to body corporate manager for approval to conduct renovation
- If required - provide plans, works program, key contractor's details, etc.
- Obtain approval in writing

Quotations

- If tradespeople and builder have not already been selected, obtain quotes – minimum of three per trade
- Negotiate on quotes and select preferred ones
- Obtain copies of contractor's licences and insurances to ensure that they are qualified to do the works and that they have the relevant insurances, and that all documents are current and will remain current for the duration of your project
- Conduct searches on the contractor's licences with the relevant building industry authority in your State to confirm their status and history
- For company entities conduct searches to confirm their history
- Tradespeople / builder are selected, quotes finalised and signed off on and where required contracts are negotiated
- Ensure quotes, contracts and supporting documents don't include any unusual clauses
- Update feasibility analysis based on quotes

Contract Due Diligence

- Ensure that you understand your contract documents thoroughly
- Seek legal advice if necessary for anything that you are unclear about
- Ensure that the name and number on the licence matches the contract
- Ensure that all plans, specifications and approvals are all clearly specified in the contract
- Clarify the terms of progress payments in the contract, if any
- Note any cooling off periods stated in the contract
- Ensure a finance clause is included in the contract if construction is subject to finance approval
- Clarify what the builder's insurance will cover
- Clarify contract date commencement and conclusion and your rights
- Ensure that the contract has been completed properly and there are no blank spaces
- Contracts should clearly state:
    - Start and finish dates

- Rates for variations
- Liquidated damages if the project runs late
- A defects liability period
- A dispute resolution process
- A clear and concise contract price
- A list of prime cost allowances

- ✓ Ensure that any deposits paid are within the legal limits and timeframe
- ✓ Notify in writing when conditional contract clauses are satisfied, e.g. finance approval
- ✓ Notify in writing when the site is being officially handed over to the builder
- ✓ Ensure that all variations to the plans or specifications are in writing and signed by both parties
- ✓ Clarify who is responsible for approval applications
- ✓ Ensure that you have a copy of all approvals, signed contracts and a Certificate of Insurance from the building authority in your State prior to work commencement
- ✓ Ensure you have received and understand the Building Act in your State that regulates the renovation works you propose to have done
- ✓ Confirm contact details for the primary contractors

Step 14 – Undertake Works Program

Demolition and Site Clearing Phase

- ✓ Demolition of existing parts of the building and site clearing may be part of the builder's/key contractor's contract or may be managed by you directly, prior to handing over the site to the builder
- ✓ Do not undertake demolition works yourself that you are not qualified to do. If a demolition contractor is required include in his contract any required asbestos removal and final site clearing. This is so that there is one primary contractor responsible for the site. That way there are no issues as to who is responsible if any asbestos or debris is missed
- ✓ Where only asbestos removal is involved, ensure that a licensed asbestos removal contractor is used regardless of the size of the job. Have the asbestos removal company issue a clearance certificate on completion

Renovation Phase

- Notify neighbours in advance of any works that may affect them, e.g. fence replacement, tree lopping, noisy demolition works, asbestos removal. If in a strata-titled complex, notify body corporate on commencement and neighbours. Where possible adopt a good neighbour policy – you never know when you may need their assistance.
- Provide all contractors with the project works schedule so that everyone is aware of your expectations regarding timing, start and completion dates, key milestones and critical path item etc.
- Call each trade two weeks prior to them being required on site to ensure they are on schedule. Re-contact again one week out to reconfirm and then again the day prior – organisation is key if you are project managing the works.
- If a delay is encountered, advise affected trades immediately to allow them to reschedule.
- Ensure all materials and supplies are available onsite prior to works commencing to prevent delays.
- Ensure pre-orders are complete in a timely manner where lead times exist in manufacturing and supply, e.g. cabinetry, windows, doors etc.
- Conduct regular site meetings, daily or weekly depending on the project. Meet with the key tradespeople or builder in order to inspect progress, update on the works schedule, order supplies where required, resolve issues, deal with payments, etc.
- Where possible inspect all tradespeople's work on completion – prior to them leaving site, so any issues can be identified and resolved in a timely manner – speak up if you have an issue.
- Pay all accounts as soon as possible to ensure the tradespeople are motivated to work with you in the future.
- Do not pay an account that you haven't already inspected the works for and are satisfied with its completion.
- Ensure you do not do works that must be completed by a qualified tradesperson.
- For projects where you have construction finance for the works, the bank's valuer (or quantity surveyor) is likely to inspect the site and monitor progress payments.
- Ensure that progress payments reflect work completed on the site.

- If the site is being officially handed over to a builder and they are responsible for the whole site, make sure you always advise them when you intend to go on site, and when the valuer or quantity surveyor need to attend site.
- Ensure all inspections are undertaken as required by the building certifier, engineer, council, and services authorities at the required stages as per the approval notices.
- Any comments, concerns, or uncertainties should be raised as early as possible in the process to ensure they do not get out of hand.
- Record all daily activities, and communication (in person, phone, email, fax) in a diary throughout the works process.





Initial renovation works including framing internal walls and ceiling, replacing floor boards, installing new front door and sidelight window.

Completion Phase

- Review all of your approval documents and confirm that every condition has been fulfilled
- Builder, engineer, building certifier and consultants carry out final inspections upon completion
- Complete a defects list and arrange for it to be attended to
- Re-inspect repaired defects
- If council town planning approval was required at the outset, council may inspect the works to ensure it complies with the approvals

- Service providers and other authorities may also be required to inspect the site on completion
- If required, as-construct-plans are produced by the builder, plumber, electrician, engineers and submitted to council
- Bank valuer completes final inspection

Step 15 – Marketing For Sale

Prior to Marketing your Project

- Visit renovated houses, units and display homes, to get ideas for your marketing strategy
- Critically examine and photograph other projects
- Determine price resistance levels
- Review recent market values, both sold and currently on the market
- Decide on a price range you can offer for each property based on your research
- Discuss project with your shortlisted real estate agents and request their feedback on sale price and marketing strategy
- Update your feasibility analysis with the proposed sale prices
- Prepare marketing plan and organise marketing material

Sales Agent Selection

- Research real estate agents that have experience selling the type of product you are producing, in the area you are producing it
- Interview the shortlisted agents and have them submit a marketing proposal to you
- Call previous clients to confirm the quality of the agent/s
- Engage your preferred agent on a short exclusive period initially in order to assess their capabilities and extend their contract if they are performing to your satisfaction

Advertising and Marketing Costs

- Sign writers, graphic designer to design branding / signage
- Printers to print brochures or print media for promotion of the project
- Obtain media costs for advertising in newspapers, online, etc.
- Keep a record of advertising rates for various sizes
- Real estate agents will expect you to pay for your own advertising

Commencement of Marketing

- On completion of works, present the property with staging furniture
- Have professional photographs taken, including aerial view photos if appropriate
- Create a pictorial signboard of the property and list features that will attract buyers based on your due diligence
- Create a website for the project if warranted and commence online marketing
- Print brochures or other promotional media
- Make sure you direct ads at your target market to they generate inquiries
- Monitor and record responses on marketing so that you know which media is most effective
- Record contact details of interested parties so that you can direct market to them in the future







Professional photos of completed renovation and staging furniture ready for sale.

Sales

- A standard real estate sales contract can be used because the title already exists
- Understand what your sales contract means and ask questions if necessary
- Ensure the sales contract is filled out correctly by you and the purchaser
- Ensure that the deposit has been banked into the agreed account
- Monitor the agent's sales activity

Step 16 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to beginning your project so that you understand your obligations
- Put structures in place to minimise risk and maximise tax benefits
- Determine the bank account to be used for carrying out the project

- Create a system for filing invoices and recording all payments
- Determine the land tax payable, if any, for the area you are looking at
- Submit all relevant documents to your accountant on completion of the project

Capital Gains Tax / Income Tax

- Record all of your expenses throughout the development process
- Understand your Capital Gains Tax / Income Tax obligations
- If Capital Gains Tax / Income Tax is payable, allocate those funds on completion of the project, so that you know they are available for when payment is required
- Pay Capital Gains Tax / Income Tax when required

GST (Goods and Services Tax) – If Applicable

- Determine if you need to pay GST depending on the extent of the renovation and register if necessary
- Understand your GST obligations – if any
- Get your accountant to calculate the GST and ensure that this money is kept aside
- Keep a record of all of your receipts and invoices for GST purposes
- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements) monthly or quarterly depending on your cash flow requirements
- Following the sale pay any GST owing

Step 17 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced

Project Review

- On completion of the project undertake a review
- Complete an 'actuals' feasibility of the project, detailing the actual costs, income and profit margin
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process

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MODULE
11

INCOME STRATEGIES CHECKLIST

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Introduction

Modules 10 and 11 are intended to pull together all of the education and learning from the previous modules and present them in a step-by-step process, a checklist type format from the start through to completion, for each of the key strategies.

This module specifically looks at the four key income strategies including:

- multies, granny flat and dual occupancy,
- boarding house and student accommodation,
- executive leasing and short stay accommodation, and
- commercial properties, including everything from storage sheds, strip shops, through to caravan parks and the like.

It is worth remembering that with positive income strategies, which we affectionately refer to as 'cash cows', depending on what you are purchasing, the property can either be a direct cash cow or an indirect cash cow. A direct cash cow is a property that is positive cash flow from the day you buy it, whereas an indirect cash cow is a property that you have to do something to in order to turn it into positive cash flow. Each of the strategies profiled below can be either a direct or indirect cash cow, depending on the individual property.

In this module the focus will be more on the direct cash cow property, where you are purchasing the property as a going concern. This is because the indirect cash cow

where you have to do something to the property to create the cash flow, is more closely aligned with the manufactured growth strategies covered in the previous module. Let's use some examples to demonstrate this. For example, if your strategy is to create a multi income property by building a granny flat, then clearly this process is more aligned to the development approval strategy in Module 10 – because council approval and construction is involved. If your strategy is to turn a residential house into a boarding house by renovating and/or adding bedrooms, then both the renovation and development approval checklists in Module 10 will be relevant. Similarly, if your strategy is to develop storage sheds from scratch, or add additional storage sheds to a property, then this is a development approval process too. So depending on your strategy, you may need to combine the checklists from this module and the previous module.

Because the emphasis with these properties is on income, the focus in this section will be on the rental of these properties. At any point, however, the property may be resold and this may be part of your proposed strategy, e.g. create a cash cow and then on-sell it for profit. The sale process will therefore also be briefly covered.

To enhance your leaning, a real deal example will be used for each strategy to model the step-by-step process.

Yes, this warning was made in the previous module, but it equally applies to this module, and so is being reemphasised here. If you are reading this module because you have skipped ahead to it without sequentially working through the other modules, then let this be a caution to you! While this module might look like the Holy Grail for how to implement your chosen strategy, and the step-by-step process, what will not be covered is the in-depth detail. This is because that's what is covered in the earlier modules. So please… if you have jumped ahead, go back and sequentially work through the previous modules, so that by the time you get to read this, you have the content under your belt, and this module is icing on the cake, so to speak.

You are also encouraged to not just read over these steps and checklists, but instead, make them the basis for your own master checklist for the strategies you propose to undertake. You should reproduce the relevant checklist for your strategy, and then start adding to it, modifying it, and amend it as you read new information, as you hear and see new things, and experience other information of relevance to the strategy. This should be a living document, and one that grows in detail as you learn and experience more and more. This needs to become your own detailed template for doing the strategy.

And just a final reminder that the last step in the process with every strategy is to review the project and diligently document your learnings in your own master checklist for the

strategy. As mentioned previously, do not underestimate the significance of this step. The secret to success is to continue to learn, to not repeat previous mistakes and to continually improve and you guessed it, all of these are wrapped up in the final step of the process.

So let's get into it!!!

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Multiple Income Property Including Granny Flat & Dual Occupancy

A multiple income cash cow property is commonly referred to as a multi. It is a property where multiple spaces are rentable, for example multiple units, or flats, or shops, or a combination of commercial and residential on the one site. Hence, there are multiple income streams from the one property. The important point is that they are all on the one title and are therefore being sold together, in the one sale. This therefore also includes existing granny flat and dual occupancy properties, as both provide multiple income streams. Because the property is being purchased to rent and held for cash flow, this will be the emphasis in this checklist, rather than resale. If resale is the intention, Module 10 checklists include a significant component on the sales process.

The assumption in this module is also that the property being purchased is already a multi. There may, however, be the opportunity to combine with manufactured growth strategies and renovate, or strata, or subdivide, or add additional rentable areas, e.g. additional units, additional bedrooms, signage, storage, car parking, etc. If any of these are part of the plan, then the checklists from Module 10 should also be referenced.

For the purpose of the checklist below, a house plus granny flat real deal is being used as the example of a multi. It highlights many of the issues raised below. It covers all of the required stages and will give you a great real life snapshot of doing a multi deal.

Step 1 - Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?
    - What is your time availability?
    - How far are you prepared to travel?
    - Is your strategy to hold long term or sell in the short term?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances, determine what type of region you are targeting including:
    - Mining and resource areas
    - Regional areas
    - Metro areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. regional area, within a distance that you are prepared to travel, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria.

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations above research their specific characteristics including;
    - Population size and growth
    - Employment diversity and growth
    - Income profile
    - Infrastructure spending
    - Supply and demand
    - Rental affordability
    - Rental vacancy rate
    - Council's attitude to development
- Based on the above research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs or three regional towns

- For each of your 3 target locations, research the population growth, employment growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details etc.

Step 2 – Strategy Research, Property Identification, Mapping and Prioritisation

Strategy Research and Property Identification

- For each of your three target locations, educate yourself on what the rental market wants, where it wants it, why, e.g. 2 bedroom units near shops
- Research and visit other multi unit blocks in those locations, learn from them, and record characteristics and features, condition, purchase price, rental rates, rental vacancy, property management, etc.
- For each of the target locations use search terms to identify potential properties on the internet or talk to real estate agents or locals. Terms include; unit blocks, multi units, multiple income, cash cow, cash flow, high yield, single title, granny flat, dual occupancy, one title, etc.



Property advertised as 4 bedroom, 2 bathrooms potential dual occupancy subject to council approval. Location close to beach, cafes, parks, etc.

Mapping

- Map the location of potential multi units
- Use aerial photos to identify other potential multies in your locations but not yet on the market
- Research the infrastructure, amenities, schools, transport, etc., of relevance and highlight them on your map
- Research changes in infrastructure planned for the future and depict on map

Prioritisation

- If your research above has identified too many properties for you to individually research, use one or a combination of the methods below to prioritise the list and focus your research

  A) Grid variance analysis:

  - Grid variance analysis is a good method when you have volume in the market and say at least 15 properties for sale that can be compared, e.g. 2 bedroom units in this example. Also if you intend to add value to the property, e.g. through renovation, then grid variance analysis is a useful comparison tool
  - Research the price ranges (low, medium, and high), of 2 bedroom units, in the areas where the multies are located
  - Do grid variance analysis comparing the low to the mid of the market in each area
  - Prioritise the areas from highest to lowest grid variance analysis, in order to narrow down your target list of potential multi units to further research.

  B) Employment and population growth comparison:

  - Research employment growth data and population growth data for each area
  - Prioritise the areas from highest to lowest growth, in order to narrow down your target list of areas and properties to further research.

Search and Data Facilities

- PD Online
- Google, Google Maps, Google Earth
- Real estate websites
- Regional councils
- Newspapers and real estate brochures

- Real estate agents
- Local information and economic development boards
- Talking with locals
- Letterbox drops
- Door knocking

Step 3 - Specific Property Due Diligence

- Undertake detailed due diligence on the individual properties of interest including potential opportunities and constraints.

Rental Due Diligence

- For each rentable area complete the following due diligence:
    - Research the rent being charged - is it at market rent or under market rent?
    - When was the rent last increased and by how much?
    - What is the longer term rental rate history?
    - What is the market rental yield in the area and how does this property compare?
    - Is there the capacity to increase rent?
    - Is there the capacity to add services and charge extra, e.g. internet, mowing, cleaning etc.?
    - Who pays for current services – water, electricity, gas, phone etc.?
    - Copy of previous annual rental statement
    - Historic vacancy profile - when previously vacant, how long vacant.
- For the entire property, what are the hold costs – property management, rates, body corporate, insurance, water, electricity, land tax, maintenance, mowing, pest control, termite inspection, smoke alarm inspections, swimming pool compliance inspection etc.



Property initially rented as 4 bedroom house under one lease.

Tenant Due Diligence

For each tenanted area complete the following due diligence on the tenant:

- Who are they? E.g. single, couple, kids
- How long have they lived at the property?
- Any pets? – What type, number, restrictions, bond held on lease
- Are they employed or unemployed?
- Do they have a current lease in place?
- Rental rate history – amount, pay on-time, payment method, e.g. direct debit, centre pay, cash
- Default notices issued (rent arrears, noise/disturbance, complaints, damage etc.)
- General cleanliness and tidiness of property
- History of request for maintenance, improvements etc.
- Any unapproved tenants residing?
- Ticka history (e.g. blacklisted).

Property Manager Due Diligence

- How long have they been the property manager?
- Fees and charges and when last increased
- Record keeping and capacity to provide previous rental statements, leases, entry condition reports, periodic inspection reports, maintenance requests and works complete, insurance claims
- Current agency rental vacancy rate versus average for area
- Current agency average days listed for rent versus average for area
- Structure of management agency, e.g. who manages and historic turnover of property managers
- Availability of tradespeople and supplies for maintenance.

Property Due Diligence

- Improvements previously completed – what, when, by whom
- History of repairs and maintenance
- Capacity to add additional rentable spaces, e.g. dwellings, parking, signage etc.
- Confirm with council that the property is council approved as multiple units on the one title. Confirm the number of units approved, the number of bedrooms per unit, their configuration, the age of the development approval, and that it is council approved for its current use
- Use a building inspector to assess the property's compliance with the Building Code of Australia and determine any works required, e.g. stairs, balustrade, glass, smoke alarms, water saving devices etc. Inspector to also report on the general condition of the property and any repairs or maintenance required
- Termite inspection to identify potential current or historic damage
- Research the property's potential to be further developed, including:
    - Capacity to reconfigure units and add bedrooms
    - Capacity to split units into smaller units
    - Capacity to strata title
    - Existence of vacant land to further develop, e.g. add units, subdivide etc.
    - Capacity to increase density in the future by partially or completely demolishing existing infrastructure
- Research the general property due diligence items below in the early stages of reviewing target properties. These items may, however, need to be revisited and further researched in greater detail during the conditional period of the contract:
    - Illegal building works onsite – structure not council approved,

- Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety etc.
- Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat
- Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified person
- Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation.

- ✓ Research general repairs, maintenance, and renovation works required to the property
- ✓ Research site-specific constraints that may affect the property now and in the future, including:
    - Flooding
    - Waterways in close proximity
    - Overland flow
    - Bushfire prone area in close proximity
    - Cultural heritage
    - Demolition control
    - Significant trees
    - Soil type – swelling and cracking clays
    - Contaminated site
    - Easements – sewer, power, access ways,
    - Encroachments – survey site
    - Covenants
    - Caveat or other encumbrances
    - Notation on registered survey plan
    - Neighbour disputes
    - Council show cause notices
    - Heritage listed buildings
    - Above ground infrastructure at the front of the property that may affect future development potential – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
    - Underground infrastructure – man holes, disused septic tanks, buried water tanks, Telstra pits

- Capacity to individually meter, if not already – electricity, water, gas etc.
- Shared services between neighbouring properties – e.g. combined sewer drain
- Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units/apartments/ commercial etc.
- Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours
- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate

- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.
- Use the various tools for researching individual properties including:
    - Rental property manager
    - Building and pest inspector
    - Council and council website,
    - PD Online
    - RP Data, PDS Live
    - Investar
    - Internet
    - Town planner
    - Locals and neighbours
    - Builder, plumber, electrician
    - Building certifier
    - Surveyor

Step 4 – Your "A" Team

The Initial Team

- Property manager
- Building and pest inspector
- Builder
- Lawyer that specialises in property
- Moneylender or broker
- Tradespeople including plumber, electrician
- Real estate agent / buyers agent
- Sales agent / marketers if you are planning to sell
- Valuer
- Town planner

The Subsequent Team

- Land surveyor
- Building designer
- Interior designer / colour consultant
- Body corporate manager
- Insurance broker
- Depreciation report specialist (quantity surveyor)

The Individuals

- Look for individuals that specialise in property
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant, e.g. Building Assoc., Law Society, Institute of Quantity Surveyors etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use

- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress of individuals to keep them on target

Property Manager Selection

- Assuming that you are not self-managing the property, the rental property manager is key to the success of your property
- Do not assume that the current property manager is the best – you need to do your own research to select the best property manager that meets your needs
- Make sure that they are a member of your State's professional association and are fully trained and accredited
- Where possible meet them and discuss your property
- Interview the shortlisted property management agencies and ask the following questions:
    - Number of properties managed by agency and by each property manager – you want them to be able to give you and your tenants personalised attention
    - Agency's rental vacancy rate versus average for area
    - Agency's average days listed for rent versus average for area
    - Structure of management agency, e.g. who manages and historic turnover of property managers – you don't want a high turnover of staff
    - Availability of tradespeople and suppliers for maintenance, e.g. appliance repairs, handyman, electrician and plumber, etc.
    - What are their opening and inspection times? Will they show the property to prospective tenants after business hours, e.g. after work and on weekends?
    - Where is their office located relative to the property? You want an agent local to the property for ease of inspections etc.
    - What is their strategy for marketing for rent? You want a property manager with a diverse database/contact list, and one who is proactive and creative at actively marketing the property.
    - Do they recommend professional photos? You want a professional look to grab the attention of prospective tenants – not just the same as everyone else.
    - Fee structure including inspections, annual statements, arranging maintenance works etc.

- Current landlords that would be prepared to talk with you and confirm their experience.

- Make sure you feel comfortable with them, that they are motivated, and that you get the responses you want.
- Engage your preferred property manager based on a short termination clause, e.g. 30 days rather than 90 days - so that if they are not performing at any point you can terminate the management agreement in the shortest time period possible.

Step 5 – Draft Scope of Works

- If any repairs, maintenance for renovation works are required, prepare a draft scope of works
- List all works proposed for the building exterior, e.g.
    - Roof, gutters, downpipes
    - Windows and doors
    - Painting, rendering, bagging
    - Lighting
    - Stairs
    - Veranda / balcony / patio / pergola
    - Balustrade,
    - Carports / garage
    - Aerial
    - Make good repairs
- List all works proposed to the building interior, e.g.
    - Kitchen
    - Bathroom
    - Laundry
    - Painting
    - Floor coverings
    - Wall coverings
    - Lighting / fans / air-conditioning / heating
    - Electrical
    - Robes
    - Doors and door handles

- Make good repairs

- [ ] List all landscaping and site works, e.g.
    - Gardens
    - Turf
    - Garden edging
    - Retaining walls
    - Garden shed
    - Driveway
    - Paths
    - Fencing and gates
    - Drainage works
    - Irrigation
    - Letterboxes
    - Clotheslines
    - Car parks
    - Frontage works – council verge

Step 6 – Feasibility Analysis

Initial Rough Feasibility

- [ ] Research the costs to purchase the property
- [ ] Research the costs to hold the strategy
- [ ] Research the costs to undertake required repairs, maintenance and renovation
- [ ] Research the market rental rate of the end product
- [ ] Research the market value of the end product
- [ ] Research the demand of the end product – rental and sale
- [ ] Research the various exit strategies
- [ ] Research and create a realistic timeline of the project, including purchase, maintenance / renovation works, renting if untenanted etc.
- [ ] Complete rough feasibilities on the various options to do the deal and the various exit strategies
- [ ] Complete due diligence on your capacity to finance the various strategies

- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility

Detailed Feasibility

- Conduct cash flow analysis on the expected rental income, holding costs and bank interest on 100% of costs
- Factor in a rental vacancy period to allow for tenant turnover, e.g. 4 weeks
- Conduct sensitivity analysis to determine the sensitivity of the cash flow to interest rate increases, rental vacancy, rental rate decline and increased maintenance costs
- There is no specific positive cash flow target, so you have to determine what profit you are prepared to accept for the money tied up, the time to complete the deal, the risk, the on going management required etc.
- Prepare numerous feasibility studies with varying rental rates and renovation options to confirm the preferred strategy
- Talk to property managers and real estate agents in your area to understand the previous, current and future market – rental and sale
- If your feasibility studies show that your project is not financially viable, review the rental rates, holding costs, renovation costs and assumptions with your team, e.g. property manager, builder. If it is still not viable - DO NOT proceed.
- Continually update and review your detailed feasibility as your costs are updated with each new quote and as more information comes to light
- Assess the tax implications of your project, e.g. income tax, land tax.

Purchasing, Finance Fees and Charges, and Renovation Works

- Property purchase cost
- Due diligence costs (building and pest, builder and building certifier's assessment, specialist reports)
- Conveyancing and title search fees
- Stamp Duty (vary from State to State)
- Legal fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender
- Accountancy fees

- Renovation and repair works - if required.

Holding Costs

- Interest on finance
- Council rates
- Insurances (building, contents, landlord)
- Property management fees (including let fees)
- Body corporate fees - if applicable
- Services if not paid directly by tenant, e.g. water, electricity, gas
- General site maintenance, e.g. mowing, repairs
- Annual inspections / works e.g. pest control, termite inspection, smoke alarm inspection, swimming pool compliance inspection – if applicable
- Land tax – if applicable

Step 7 – Choosing Your Site

Choosing Your Site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 8

Ensure Ownership Structure is Setup

- Ensure the ownership structure is set-up and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications
- Types of structures include
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 8 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

Negotiating the Property Purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- If the property is being sold tenanted, ensure that all the tenanting details are correct, whereas if the property is being sold with vacant possession, or you require vacant possession on settlement, ensure that this is noted on the contract
- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing

Process Upon Acceptance of Offer

- On signing a contract ensure that you organise a cover note for building and Public Liability Insurance over the entire property. Consider if contents insurance is also required, e.g. furnished property
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them a copy, and instruct to progress with finance approval

- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. building and pest, site survey, specialist reports like flood etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants etc.
- Consultants progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications if required

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be in, based on the contract
- Make sure your lawyer does a final Land Title Search the day prior to settlement
- If the property is tenanted, consider if Landlord/Tenant Protection Insurance is warranted, and if so take it out
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment
- Have electricity account changed to your name if vacant possession on settlement.

Step 9 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in multiple income properties
- Ensure that you deal with a lender / broker that understands your needs
- Ensure that contracts are subject to finance
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application with a commercial finance broker or department
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire project, including renovation works, if applicable
- Make sure that you include all the relevant documentation in your application
- Advise finance broker / institution that the property is 'under contract' and 'subject to finance' and potentially other conditions – provide them with a copy of the contract
- Complete a finance application submission and present it to the broker

What to Include in Your Application for Finance

- Introduction
- Financial proposal / commitment
- Site information – mapping, description, tenants
- Quotes for renovation works if being included in the finance application
- Demographic and target market for tenants
- Cash flow analysis
- Evidence of current rental income (e.g. current lease/s)
- Rental appraisals if different from current rents
- Timeline of workflow
- Conclusion
- Double check that all figures are correct

Risk Assessment

- Supply a report of your financial history, assets and cash flow, and property experience

- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross-securitisation with other property you own

Finance Approval

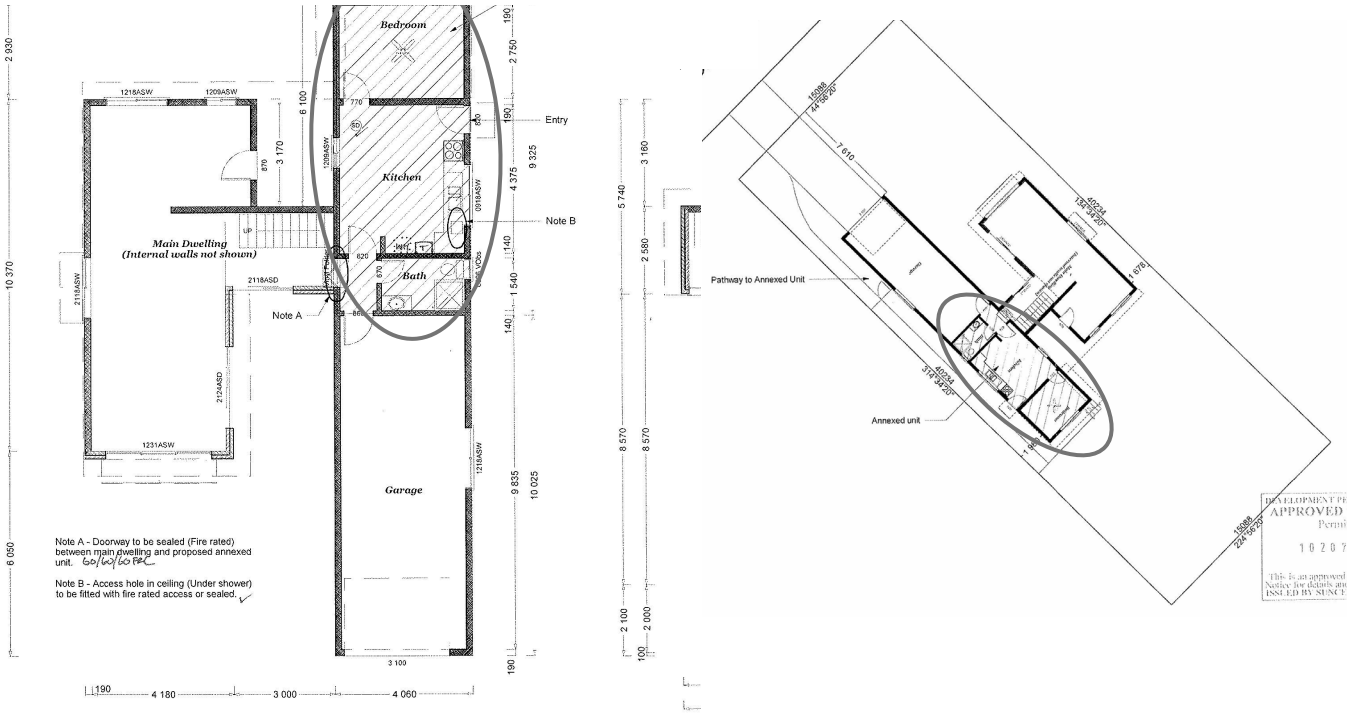
- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- If applicable, instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation

Step 10 – Conducting Renovation / Maintenance Works

- Refer to the renovation section of Module 10 for a detailed checklist of the renovation process.

Step 11 – Development Approval Requirement

- If you intend to increase the number of rentable spaces, e.g. add bedrooms, add units, add parking, storage, or signage that you intend to rent out etc., you first need to understand the council requirements for this type of work. If development approval is required by council, refer to the development approval section of Module 10 for a detailed checklist of the process.



Lower Floor

Annexed unit (granny flat) was approved by Council, and fire separation was installed between the unit, garage and house. Car parking for the unit was formalised and fencing installed to create a private yard for the unit and house.



A car parking layby area was created for exclusive use by the unit tenant and conditions were inserted into the rental agreements to reflect this. Individual entrances to the house and unit were formalised.

Step 12 – Advertising For Rent

Prior to Marketing your Project

- Research the other properties available for rent that you will be competing against. What is their rental rate? How many days on the market? What is the quality of their photos, their copy and description?
- Discuss your property with your shortlisted property management agents and request their feedback on rental price resistance levels for your type of product, e.g. 2 bedroom. What rental price would they recommend for your product? What is the current supply and demand? What are the recommended marketing strategies and marketing costs, if any?
- Make up files that include all of this data
- Identify how you can make your property stand out from the crowd, e.g. professional photos, targeted copy that highlights your property
- Decide on a rental price you can offer for each property based on your research
- Update your feasibility analysis with the proposed rental prices.

Commencement of Marketing

- Prepare the written copy for your advertising, incorporating the features that will attract renters based on your due diligence
- If deemed appropriate for the market, present the property with staging furniture in at least one of the units for rent
- Have professional photographs taken, including aerial view photos if appropriate
- Monitor enquiries and prospective tenant feedback so you can address as required
- Follow-up agent weekly for feedback on progress.



Rent $228 /week on Dec 2013

1 1

Agent: Insite Realty



Rent $425 /week on Jul 2014

3 1 2

One bedroom unit and 3 bedroom house individually advertised for rent.

Step 13 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to buying the property so that you understand your obligations, e.g. Income Tax, Capital Gains Tax, GST, Land Tax
- Put structures in place to minimise risk and maximise tax benefits
- If you are doing significant renovation works, discuss with the accountant if it is beneficial to have a depreciation schedule prepared prior to renovation works to maximise depreciation of demolished items
- Ensure that you have a depreciation schedule prepared for the finished product on completion of renovation works, so as to maximise the tax benefits
- Determine the bank account to be used for paying holding costs and for receiving rents
- Create a system for filing invoices and recording all payments
- Submit all relevant documents to your accountant annually, or more regularly if required.

Step 14 – Valuation and Refinancing

- On completion of the project and once fully tenanted, consider if it is appropriate to have the property revalued and refinanced
- Discuss the revaluation and refinancing process with your mortgage broker and confirm the timing, e.g. they may recommend a 6 month gap between the purchase valuation and revaluation
- Research market values of comparable properties and prepare relevant information for the valuer including:
    - Recent comparable sales – and comparison to your property
    - Copy of your leases and summary of the rental rates and lease duration, terms etc.
    - Description of your property's features including list of completed renovation works if applicable
- Consider if it is appropriate for you to engage and pay for your own valuation, prior to getting the bank valuation

- Where possible meet with every valuer onsite and provide them with your research
- If you have had your own valuation done, and you are happy with it, provide it to the bank's valuer both prior to them arriving on site, and at the site meeting.

Step 15 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced.

Project Review

- On completion of the project undertake a review
- Complete an "Actuals" feasibility of the project, detailing the actual costs, income and cash flow, market value
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.

PLATINUM
ACCELERATOR

Boarding House & Student Accommodation

Boarding house and student accommodation properties are being grouped together in this checklist because they are a very similar style of strategy, both being a combination of an investment property and business in one. Rooming house is also another term used. They are all businesses because the rent by the room nature of them makes them an active strategy that requires hands on daily management, whether that is by you, or by a management company. The due diligence required is therefore twofold, one on the actual property and two on business component.

It is assumed in this checklist that these properties are being established from scratch and that a residential dwelling is being bought and converted to rent by room accommodation. If, however, you intend to purchase this type of property already set up and being sold as a going concern, then the checklist below is still a very valuable resource as it flags the level of due diligence that should be conducted on this type of purchase.

The emphasis will also be on holding for cash flow rather than for resale. If, however, resale is the intention, Module 10 checklists include a significant component on the sales process.

Rent by the room accommodation usually means that you are providing accommodation for a renter, boarder, lodger or resident. They are generally not referred to as tenants because they do not have the rights of a tenant under the Tenancy Act. Each State varies

in definition, so you need to do your research. For example, if you live in the home and provide one meal a day they may be classed as lodgers.

The real deal example is a 6 bedroom rooming house property that was purpose built and highlights many of the issues raised below. It covers all of the required stages, and will give you a great real life snapshot of doing a rooming / boarding house style deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?
    - What is your time availability?
    - Do you intend to be the hands on manager or use a management company?
    - How far are you prepared to travel?
    - Is your strategy to hold long-term?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances, determine what type of region you are targeting including:
    - Metro areas
    - Regional areas
    - Mining and resource areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. regional area, within a distance that you are prepared to travel – say maximum of 1 hour if you are hands-on managing, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations above, research their specific characteristics including:
    - Population size and growth
    - Employment diversity and growth
    - Income profile

- Infrastructure spending
- Supply and demand
- Rental affordability
- Rental vacancy rate
- Council's attitude to development

- ✓ Based on the above research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns
- ✓ For each of your 3 target locations, research the population growth, employment growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general. At the end of the day this is still an investment property and you want it located in the best area possible for price growth and stability.
- ✓ Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details etc.

Step 2 - Strategy Research From a Supply and Demand Perspective

- ✓ For each of your three target locations, educate yourself on the demand for rent by room accommodation, researching the following sources:
    - Property managers that specialise in rent by room accommodation
    - Online and newspaper ads for rental by room under shared accommodation ads
    - Referral agencies that support the type of residents that you are targeting, e.g. University and TAFE accommodation services, homeless services, government departments, not-for-profit agencies e.g. churches, St Vinnies etc.
    - Service providers already providing this type of accommodation
    - Industry associations in your State and nationally that support this type of service
    - Consider running your own Gum Tree ad or newspaper advertisement to advertise potential accommodation and assess the response.



Location was targeted for its very low vacancy rate, and the low number of rooming houses in the area as a function of total population – assessed through the public register of rooming houses. Research showed a shortage of Class 1B houses compared to other suburbs with a similar need profile.

- From these same sources, research what the target market wants in accommodation including:
    - Location
    - Accommodation type, e.g. bedroom with single bed, built-in-robe, shared bathroom facilities, car parking
    - Configuration of accommodation, e.g. ground level or 2 storey, access to deck, bedroom positions in relation to communal areas etc.
    - Rental room rate
    - Proximity to infrastructure e.g. university, TAFE, shops, transport, CentreLink office, etc.
    - Facilities offered, e.g. furnishings, parking etc.
- Ascertain from the above sources the current supply of rent by room style accommodation, who the existing providers are (and therefore potential competitors), where they are located, what they provide, who they service, what their rental rates are and what their occupancy rates are
- Contact the existing providers identified above and research as much as possible their business - the more you can understand their business the better
- Research existing providers whose property is for sale, in order to better understand the industry. If a property is for sale and you present as a potential purchaser, a greater amount of information is likely to be disclosed to you on request, including:
    - Income and rental rates
    - Running and holding costs
    - Cash flow
    - Occupancy rates

- Tenant profile
- Management
- Compliance – council, government, tenancy authority, building code etc.
- Insurances
- Industry associations
- Marketing strategy to residents and agencies etc.

- ✓ Where possible, visit other rent by room accommodation to better understand the industry



Research revealed that the target market in the area of interest would be young professionals, or young people looking for work. Families dominate the area and when the children grow up and are ready to leave home, there are not a lot of alternatives for affordable accommodation.

Step 3 - Strategy Research From a Compliance Perspective

- ✓ For each of the target locations, research the compliance requirements for this type of accommodation. It can differ from council to council, and State to State

Building Code of Australia

- ✓ The one underlying consistent policy Australia wide is the Building Code of Australia
- ✓ There are two main building classes that this style of multiple tenancy accommodation falls under, depending on floor area and number of residents:
    - Class 1b = A boarding house, guest house, hostel or the like with a total floor area not exceeding 300m2 and in which not more than 12 persons

would ordinarily reside, which is not located above or below another dwelling or another class of building other than a private garage

- Class 3 = a residential building, other than a building of Class 1 or 2, which is a common place of long-term or transient living for a number of unrelated persons, including a boarding house, guest house etc.

- The class of building dictates the building code requirements that need to be complied with. You must research this and understand it.

  In most instances if you are converting a residential house (Class 1a) to rent by room accommodation it will be a Class 1b building that you are creating, because a class 3 building is typically purpose built, as it accommodates 13 or more tenants and is over 300m2 in floor area.

- The key requirements of a Class 1b building include:
  - Linked smoke detectors
  - Disability Access (ramps, bathroom and door way width)
  - Fire exit signage
  - Disabled locks on rooms
- Consult with a building certifier in the three target areas to undertake this research.
- Question the building certifier if there are any opportunities for exemption to any of the building code requirements, in order to streamline the building conversion process, e.g. disabled bathroom etc.
- If required, consult with a disability access consultant to research requirements.

Local Council

- Local council is the next level of compliance
- Councils differ in their treatment of this style of accommodation and so for your three target areas, research the council requirements for this type of accommodation
- The main council departments that may have input include:
  - Town Planning Department
  - Building Department
  - Health and Wellbeing Department in Victorian councils and the equivalent in other councils
- From a town planning perspective:
  - What are the different levels of assessment and what accommodation characteristics fall under each?

- What planning requirements need to be achieved, e.g. site constraints – zoning, proximity to transport, flooding, bushfire prone, room sizes, car parking etc.?
- What is the council assessment process, application fees, contribution / head works fees, approval timeframe etc.?
- Do your research and talk to other boarding house operators that have recently established, as there may be specific area insights, e.g. in Victorian councils - present to the local Council Health and Wellness Department and lodge application for rooming house under State Government Exemption, rather than present to town planning department

- From a building department perspective:
  - What building requirements need to be achieved?
  - What is the council assessment process, inspections, application fees, approval timeframe etc.?
- From a health department perspective:
  - What health department requirements need to be fulfilled?
  - What is the assessment process, inspections, compliance fees, timeframe etc.?

State Legislation, Tenancy Authority and Office of Fair Trading

- Each State has a tenancy authority and Office of Fair Trading and they too will have requirements from a tenanting perspective for rent by room / share accommodation and generally deal with the relationship between boarding house owners and residents and provide standards relating to privacy, security, safety and amenities to residents, e.g. amount of fridge space required, lockable cupboard space in kitchen, ventilation in bedrooms, house rules etc. For example, NSW Fair Trade requires registration of boarding houses and may do random inspections.
- Certainly in your State, it's important to understand the definition of a non-related person and the number of non-related people that can reside in a dwelling for it to remain classed as a dwelling, and not a boarding house e.g. in Queensland up to 4 unrelated parties retains a dwelling house classification, whereas above 5 is classed as a boarding house or rooming house style of accommodation.
- Research the requirements in the State of your three target locations, e.g.
  - Lease documents
  - Landlord responsibilities and rights
  - Manager responsibilities and rights

- Tenant responsibilities and rights
- Compliance requirements etc.

- Research State incentives for the creation and retention of affordable housing like boarding houses, e.g. NSW Department of Housing – The Boarding House Financial Assistance Program, NSW Office of State Revenue – Land Tax Exemption, NSW New Generation Boarding Houses Subsidy

Summary of Compliance Requirements

- Create a summary list of the compliance requirements that need to be fulfilled at the various levels, detailing what works are required, what documentation is required, what approval is required etc.

Step 4 – Mapping, Short Listing and Prioritising Target Areas

Mapping and Short Listing Target Areas

- From your research in Step 2, summarise the key infrastructure that the target market wants to live near and if possible list in order of priority, e.g. within a 10 minute walk of university / TAFE, 5 minute walk to local shops, 5 minutes walk to public transport, as close as possible to CentreLink office etc.
- For each of the 3 target locations, map the listed key infrastructure above.
- Highlight the areas on the map that are within the desired proximity of this key infrastructure, e.g. within 10 minutes walk of university / TAFE, 5 minute walk to local shops.
- Identify those areas on the map within the desired zone of as many of the key infrastructure as possible, e.g. Area A is in the desired proximity zone of 4 key infrastructure, e.g. TAFE, local shop, bus stop, CentreLink office, Area B,C,D,E are within the desired proximity of 3 key infrastructure etc.
- Shortlist the areas and order from highest to lowest with regard to the number of key infrastructure within the desired proximity, e.g. Area A, Area B,C,D,E.
- Add to the map known rent by room accommodation identified from your research in Step 2.
- Add to the map any other general infrastructure of importance (not already included above) e.g. schools, hospitals, shops, town centre etc., and note their proximity to the shortlisted areas.
- Research changes in infrastructure planned for the future and depict on the map, e.g. new road infrastructure, or new shops being built etc., and add this information to your shortlist of areas.

- From your research in Step 3, map any large scale council town planning requirements, e.g. zoning that may affect your selection and factor this into your shortlisting process.

Prioritising Shortlisted Target Areas

- From the shortlisted target areas, select the top three areas
- Identify if any of the areas fill an obvious gap in the mapped areas where little competition exists for this style of accommodation
- If there is not an obvious top three, but instead say 10 areas in the top three, use grid variance analysis to assist in the prioritisation process.

Grid Variance Analysis

- For all of the areas in the top three, research the price ranges (low, medium and high), for say a 4 bedroom houses so you can make comparisons
- Do grid variance analysis on these areas
- Use this tool to narrow down your list to three target areas with the highest variance between the low and the mid of the market

Search and Data Facilities

- Google, Google Maps, Google Earth
- Real estate websites
- Real estate agents

Step 5 - Street and Property Focussed Research

Street Focussed Research

- Within each of the three target areas, drill down to the street level and identify target streets that better meet your criteria and highlight on your map
- Highlight the streets in the target areas that you want to avoid, e.g. flood prone, overland flow affected, bushfire prone etc.
- Become an area expert!!

Property Focussed Research – Deal Finding

- In your desired streets, drill down to an individual property level to identify those properties that are worthy of property specific due diligence
- Use the various tools for finding individual properties of interest, including

- Property websites, e.g. realestate.com.au, Investar, Domain, Gumtree etc.
- Real estate agents and buyer's agents
- Talking to locals
- Letterbox drops
- Door knocking

- [x] Use search terms to identify potential properties on the internet and in talks to real estate agents and locals, e.g. boarding house, student accommodation, accommodation building, share accommodation, rent-by-room, cash cow, 4 + bedrooms, formal lounge room / dinning, family room, multiple income, cash flow, high yield etc.





Property was purchased as an existing house on a large lot with potential to renovate and subdivide off the front house, plus construct a purpose designed 6 bedroom rooming house on the rear lot.

Step 6 - Property Due Diligence

- Undertake detailed due diligence on the individual properties of interest including potential opportunities and constraints.

Strategy Due Diligence

- Assess the capacity to convert the dwelling into the desired number of bedrooms, the ease of conversion, works required etc.
- Assess the capacity to meet the building code requirements for the class of building being targeted, e.g. install disability bathroom, ramps, lockable doors etc.
- Assess the capacity to meet the council's requirements, tenancy authority and Office of Fair Trading requirements
- Summarise the works required to fulfil the various levels of compliance
- Where necessary, consult with the building certifier and disability access consultant to confirm the works required.

Business Due Diligence

- Assuming the property is being sold as a going concern rent by the room establishment, complete due diligence on the business itself, including:
    - Financials - Iincome, expenses, cash flow
    - Detailed expenses - property management, rates, insurances, water, electricity, gas, land tax, cleaning, maintenance / repairs, mowing, pest control, termite inspection, smoke alarm inspections, council compliance inspections, furnishing replacement, advertising, phone, bookkeeping, accounting etc.
    - Detailed income – room rate, services charge, furnishing, e.g. bed, linen, cutlery and crockery etc., method of payment – centre pay, cash etc.
    - Room rental rate and history of increases over time
    - Market yield in the area for similar type properties and how this property compares
    - Profile of residents – see detailed list below
    - Current and historical management – see detailed list below
    - Referral sources for residents
    - Occupancy rate and variability / seasonality
    - Inventory list of furnishing, fittings etc.
    - Historical turnover of furnishings and fittings
    - List of house rules and method of enforcement.

Property Manager Due Diligence

- Who manages the property and what are their roles and responsibilities re advertising for rent, vetting new residents, new resident entry and exit, complaints management, cleaning, rent collection, periodic inspections, compliance inspections and reporting etc.
- How long have they been the property manager?
- Fees and charges and when last increased
- Record keeping and capacity to provide previous rental statements, entry and exit condition reports, periodic inspection reports, maintenance works completed, insurance claims, complaints register etc.
- Network of referral agencies
- Structure of management company, e.g. who manages and historic turnover of property managers
- Current management company rental vacancy rate versus average for area
- Current management company average days listed for rent versus average for area
- Availability of tradespeople and supplies for maintenance.

Residents Due Diligence

- For each resident residing at the property, complete the following due diligence:
    - Who are they, e.g. single, couple, kids?
    - How long have they lived at the property and how long do they intend staying?
    - Are they employed or unemployed?
    - Do they have a current tenancy agreement in place?
    - Rental rate history – amount, pay on-time, payment method, e.g. direct debit, centre pay, cash
    - Default notices issued (rent arrears, noise/disturbance, complaints, damage, violence, unapproved visitors/animals etc.)
    - General cleanliness and tidiness of property
    - Interaction with other residents
    - History of request for maintenance, improvements etc.
    - Ticka history (e.g. blacklisted)
    - Criminal record
    - Substance abuse, e.g. smoking, alcohol, medication, drugs etc.
    - Referral agency and follow-ups conducted

Property Due Diligence

- Improvements previously completed – what, when, by whom.
- History of repairs and maintenance.
- Confirm with council that the property is council approved for its current use, confirm the number of bedrooms approved, their configuration, and the age of the approval – if applicable.
- Use a building inspector to assess the property's compliance with the Building Code of Australia and determine any works required, e.g. stairs, balustrade, glass, smoke alarms, water saving devices etc. Inspector to also report on the general condition of the property and any repairs or maintenance required.
- Termite inspection to identify potential current or historic damage.
- Research the property's potential to be further developed, including:
    - Capacity to add additional dwelling/s
    - Capacity to divide existing property into multiple dwellings
    - Capacity to strata title
    - Existence of vacant land to further develop, e.g. subdivide
    - Capacity to increase density in the future by partially or completely demolishing existing structures.
- Research the capacity to obtain Public Liability Insurance and Building Insurance for boarding house usage at the property as this is a specialist insurance policy type.
- Research the general property due diligence items below in the early stages of reviewing target properties. These items may, however, need to be revisited and further researched in greater detail during the conditional period of the contract:
    - Illegal building works on-site – structure not council approved,
    - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety etc.
    - Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat
    - Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified person
    - Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation.

- ✓ Research general repairs, maintenance and renovation works required to the property.
- ✓ Research site-specific constraints that may affect the property now and in the future, including:
    - Flooding
    - Waterways in close proximity
    - Overland flow
    - Bushfire prone area in close proximity
    - Cultural heritage
    - Demolition control
    - Significant trees
    - Soil type – swelling and cracking clays
    - Contaminated site
    - Easements – sewer, power, access ways,
    - Encroachments – survey site
    - Covenants
    - Caveat or other encumbrances
    - Notation on registered survey plan
    - Neighbour disputes
    - Council show cause notices
    - Heritage listed buildings
    - Above ground infrastructure at the front of the property that may affect future development potential – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
    - Underground infrastructure – manholes, disused septic tanks, buried water tanks, Telstra pits
    - Shared services between neighbouring properties – e.g. combined sewer drain
    - Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two story, higher density units/apartments / commercial etc.
    - Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future

plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours

- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate

- ✓ Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.

Step 7 – Your "A" Team

The Initial Team

- ✓ Property manager
- ✓ Building certifier
- ✓ Building and pest inspector
- ✓ Builder
- ✓ Lawyer that specialises in property
- ✓ Moneylender or Broker
- ✓ Tradespeople including plumber, electrician
- ✓ Real estate agent / buyer's agent
- ✓ Valuer
- ✓ Town planner
- ✓ Accountant
- ✓ Referral agencies re sourcing residents

The Subsequent Team

- ✓ Building designer
- ✓ Specialist consultant, e.g. disability access consultant

- Land surveyor
- Insurance broker
- Depreciation report specialist (quantity surveyor)
- Cleaner

The Individuals

- Look for individuals that specialise in property and more specifically rent by the room accommodation
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant e.g. Building Assoc., Law Society, Institute of Quantity Surveyors etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress on individuals to keep them on target.

Property Manager Selection

- Assuming that you are not self-managing the rent by the room accommodation, the property manager is key to the success of your property and business
- Do not assume that the current property manager is the best – you need to do your own research to select the best property manager that meets your needs
- Make sure that they are a member of your State's professional association and are fully trained and accredited
- Where possible meet them and discuss your property
- Interview the property managements that specialise in rent by the room accommodation in your area, and ask the following questions:
    - Number of properties managed by them in total and number managed by each property manager – you want them to be able to give you, your residents and your property personalised attention
    - Manager's rental vacancy rate versus average for area

- Manager's average days listed for rent versus average for area
- Structure of management company, e.g. who manages and historic turnover of property managers – you don't want a high turnover of staff
- Availability of tradespeople and suppliers for maintenance, e.g. appliance repairs, handyman, electrician and plumber, etc.
- What are their opening and inspection times? Will they show the property to prospective residents after business hours, e.g. after work and on weekends?
- Where is their office located relative to the property? You want a manager relatively local to the property for ease of inspections etc.
- What is their strategy for marketing for rent? You want a property manager with a diverse network / database / contact list, and someone who is proactive and creative at actively marketing the property
- Fee structure including tenanting, inspections, annual statements, arranging maintenance works etc.
- Current landlords that would be prepared to talk with you and confirm their experience

- ✓ Make sure you feel comfortable with them, that they are motivated, and that you get the responses you want
- ✓ Engage your preferred property manager based on a short termination clause, e.g. 30 days rather than 90 days - so that if they are not performing at any point you can terminate the management agreement in the shortest time period possible.

Step 8 – Draft Scope of Works

- ✓ If any conversion works, repairs, maintenance or renovation works are required, prepare a draft scope of works
- ✓ List all works proposed for the building interior, e.g.
  - Addition of bedrooms
  - Kitchen
  - Bathroom/s
  - Laundry
  - Painting
  - Floor coverings
  - Wall coverings
  - Lighting / fans / air conditioning / heating

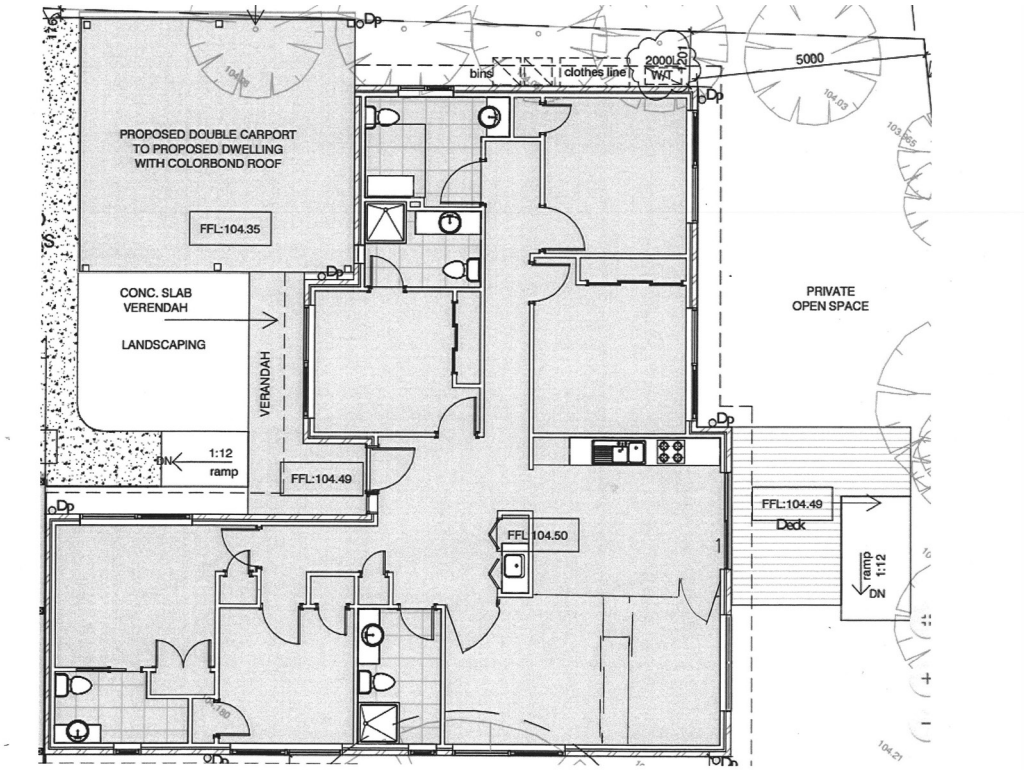
- Electrical
- Robes
- Doors, door handles, door locks
- Make good repairs

List all works proposed for the building exterior, e.g.

- Roof, gutters, downpipes
- Windows and doors
- Painting, rendering, bagging
- Lighting
- Stairs
- Ramps
- Veranda / balcony / patio / pergola,
- Balustrade,
- Carports / garage
- Aerial
- Make good repairs

List all landscaping and site works e.g.

- Gardens
- Turf
- Garden edging
- Retaining walls
- Garden shed
- Driveway
- Paths
- Fencing and gates
- Drainage works
- Irrigation
- Letterboxes
- Clotheslines
- Car parks
- Frontage works – council verge



Plans designed to meet Class 1B building design and to meet the Health & Wellbeing Act. Including disability access, linked smoke alarms detectors and fire exit signage.

Step 9– Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the property
- Research the costs to hold the property
- Research the costs to undertake required conversion works, repairs, maintenance, and renovation
- Research the compliance costs
- Research the income potential for the end product
- Research the market value of the end product
- Research the demand for the end product – rental and sale
- Research the various exit strategies, including renting as a standard house
- Research and create a realistic timeline of the project, including purchase, conversion / maintenance / renovation works, tenanting if untenanted etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies

- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility.

Detailed Feasibility

- Conduct cash flow analysis on the expected rental income, holding costs and bank interest on 100% of costs
- Factor in a rental vacancy period to allow for tenant turnover, e.g. 4 weeks per room
- Conduct sensitivity analysis to determine the sensitivity of the cash flow to interest rate increases, rental vacancy, rental rate decline, and increased maintenance costs
- There is no specific positive cash flow target, so you have to determine what profit you are prepared to accept for the money tied up, the time to complete the project, the risk, the on going management required etc.
- Prepare numerous feasibility studies with varying rental rates and renovation options to confirm the preferred strategy
- Talk to property managers and real estate agents in your area to understand the previous, current and future market – rental and sale
- If your feasibility studies show that your project is not financially viable, review the rental rates, holding costs, renovation costs and assumptions with your team, e.g. property manager, builder. If it is still not viable - DO NOT proceed
- Continually update and review your detailed feasibility as your costs are updated with each new quote and as more information comes to light
- Assess the tax implications of your project, e.g. Income Tax, Land Tax, Capital Gains Tax, GST.

Purchasing, Finance Fees and Charges, Compliance and Renovation Works

- Property purchase cost
- Due diligence costs (building and pest, builder and building certifier's assessment, specialist reports)
- Conveyancing and title search fees

  Stamp Duty (vary from State to State)
- Legal fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee / commission – if applicable
- Council rates and local authority fees or adjustments

- Valuation or appraisal fees by the lender
- Accountancy fees
- Compliance fees
- Design works
- Renovation and repair works

Income

- Room rental
- Services charges, e.g. electricity, water, internet
- Sundries e.g. bed linen, cutlery and crockery

Operating Costs

- Interest on finance
- Council rates
- Insurances (building, contents, public indemnity, landlord etc.)
- Property management fees
- Body corporate fees – if applicable
- Services, e.g. water, electricity, gas
- General site maintenance and repairs
- Yard maintenance
- Annual inspections / works, e.g. pest control, termite inspection, smoke alarm inspection
- Council compliance costs
- Land Tax – if applicable
- Cleaning
- Rubbish removal
- General furnishing replacement
- Travel
- Advertising
- Phone
- Bookkeeping and accounting

Step 10 – Choosing Your Site

Choosing your site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 11.

Ensure Ownership Structure is Setup

- Ensure the ownership structure is set up and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection and tax implications
- Types of structures include
    - Company
    - Company Discretionary Trust
    - Company Unit Trust
    - Company Hybrid Trust

Step 11 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- Decide if you will negotiate the purchase or if you will use a buyer's agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer.

Negotiating the Property Purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract, all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- If the property is being sold tenanted, ensure that all the tenanting details are correct, whereas if the property is being sold with vacant possession, or you require vacant possession on settlement, ensure that this is noted on the contract

- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing.

Process Upon Acceptance of Offer

- On signing a contract ensure that you organise a cover note for Building and Public Liability Insurance over the entire property. Consider if contents insurance is also required, e.g. furnished property
- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker / financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly.

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. building and pest, site survey, specialist reports like flood, disability compliance etc.
- Coordinate finance approval
- Obtain quotes for all works required.

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants etc.
- Consultants progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications and compliance documents if required.

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be in, based on the contract
- Make sure your lawyer does a final Land Title Search the day prior to settlement
- If the property is tenanted, consider if Landlord/Tenant Protection Insurance is warranted, and if so take it out
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment
- Have electricity account changed to your name if vacant procession on settlement.

Step 12 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in rent by the room properties
- Ensure that you deal with a lender / broker that understands your needs
- Ensure that contracts are subject to finance
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application with a commercial finance broker or department
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire project, including renovation works if applicable
- Make sure that you include all the relevant documentation in your application
- Advise finance broker / institution that the property is 'under contract' and 'subject to finance' and potentially other conditions – provide them with a copy of the contract
- Complete a finance application submission and present it to the broker.

What to Include in Your Application for Finance

- Introduction
- Financial proposal / commitment

- Site information – mapping, description, tenants
- Quotes for renovation works if being included in the finance application
- Demographic and target market for tenants
- Cash flow analysis
- Evidence of current rental income
- Rental appraisals if different from current rents
- Check property manager's experience
- Timeline of workflow
- Conclusion
- Double check that all figures are correct.

Risk Assessment

- Supply a report of your financial history, assets and cash flow, and property experience
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross-securitisation with other property you own.

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- If applicable - instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation.

Step 13 – Undertaking Conversion / Renovation / Maintenance Works

- Refer to the renovation section of Module 10 for a detailed checklist of the renovation process.





Construction complete, Class 1B Occupancy Permit obtained from building certifier and submitted to council building department. Council inspected to ensure compliance with Health & Wellbeing Act, including measurement of bedrooms to < 7.5m^2 for 1 occupant and < 12m^2 for couple.

Step 14 – Compliance / Development Approval Requirement

- From your research in Step 3, demonstrate fulfilment of compliance requirements and lodge documentation for approval as require
- If council development approval is required, refer to the development approval section of Module 10 for a detailed checklist of the process.

Step 15 – Advertising For Rent

Prior to Marketing your Property

- Periodically research the other properties available for rent on a room-by-room basis that you will be competing against – what is their rental rate, days on the market, the quality of their photos, their copy and description?
- Discuss your property with your shortlisted property management agents and tenant referral agencies and request their feedback on rental price resistance levels for your type of product, what rental price they would recommend for your product, current supply and demand, recommended marketing strategy, and marketing costs if any
- Record this data for future reference

Identify how you can make your property stand out, e.g. professional photos, targeted copy that highlights your property

- Decide on a rental price you can offer for each property based on your research
- Update your feasibility analysis with the proposed rental prices.

Rooms advertised for rent on various online websites and managed by a specialist property manager. Target market of young professionals and your people applied and all tenants over 25 years old. All on 6 to 12 month rental agreements.

Commencement of Marketing

- Prepare the written copy for your advertising, incorporating the features that will attract renters based on your due diligence
- Have professional photographs taken, including aerial view photos if appropriate
- Monitor enquiries and prospective tenant feedback so you can address as required
- Follow up property manager weekly for feedback on progress





Rooms are rented fully furnished including smart TV, unlimited internet, bar fridge and bed but excluding bedding and linen. Power and water is included. House rules are clearly visible in the rental agreement and in the house so occupants understand their restrictions and the guidelines to be maintained. To combat high utility costs of running the property, a high

quality solar system, two instantaneous gas hot water systems and a rainwater tank to supply the toilets were installed as part of the build.

Step 16 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to buying the property so that you understand your obligations, e.g. Income Tax, Capital Gains Tax, GST, Land Tax
- Put structures in place to minimise risk and maximise tax benefits
- If you are doing significant renovation works, discuss with the accountant if it is beneficial to have a depreciation schedule prepared prior to renovation works to maximise depreciation of demolished items
- Ensure that you have a depreciation schedule prepared for the finished product on completion of renovation works, so as to maximise the tax benefits
- Determine the bank account to be used for paying holding costs and for receiving rents
- Create a system for filing invoices and recording all payments
- Submit all relevant documents to your accountant annually, or more regularly if required.

Step 17 – Valuation and Refinancing

- On completion of the project and once fully tenanted, consider if it is appropriate to have the property revalued and refinanced
- Discuss the revaluation and refinancing process with your mortgage broker and confirm the timing, e.g. they may recommend a 6 month gap between the purchase valuation and revaluation
- Research market values of comparable properties and prepare relevant information for the valuer including:
    - Recent comparable sales – and comparison to your property
    - Copy of your tenanting agreements and summary of the rental rates and occupancy duration, terms etc.
    - Description of your property features including list of completed renovation works if applicable.

- Consider if it is appropriate for you to engage and pay for your own valuation, prior to getting the bank valuation
- Where possible, meet with every valuer onsite and provide them with your research
- If you have had your own valuation done, and you are happy with it, provide it to the bank's valuer both prior to them arriving on site, and at the site meeting.

Step 18 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced.

Project Review

- On completion of the project undertake a review
- Complete an "Actuals" feasibility of the project, detailing the actual costs, income and cash flow, market value
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process

PLATINUM
ACCELERATOR

Executive Leasing and Short Stay Accommodation

Executive leasing and short stay accommodation properties are being grouped together in this checklist because they are a very similar style of strategy. They are both targeting a very specific type of clientele, visitor, guest, e.g. executives, company workers, travellers, holidaymakers etc. Hence, the location for both is highly dependent on the target market's requirements. They are both accommodating short stay visitors (typically less than 3 months) and hence have a higher turnover, and both are relatively easy to create from scratch by buying a standard property and converting it with a basic renovation. They both can be managed by a specialist property manager / leasing agency or by the owner themselves through specialist websites and booking agencies like Airbnb, Stayz etc.

Metro and tourist areas are obvious locations for this style of accommodation. However, regional areas where there is often a gap in the market for this style of accommodation, are also relevant. For example, government employees, medical officers, bank workers, utility workers etc., often have to visit regional and remote locations, and if there is limited accommodation on offer, there may be the opportunity to service this market.

It is assumed in this checklist that these properties are being established from scratch and that a residential dwelling is being bought and converted to executive leasing/short stay accommodation. If, however, you intend to purchase this type of property already set up and being sold as a going concern, then the checklist below is still a very valuable resource as it flags the level of due diligence that should be conducted on this type of purchase.

The emphasis will also be on holding for cash flow rather than for resale. If, however, resale is the intention, Module 10 checklists include a significant component on the sales process.

The real deal example is a 3 bedroom executive rental house and highlights many of the issues raised below, it covers all of the required stages, and will give you a great real life snap shot of doing an executive rental style deal.

Step 1 – Location Research

Identify Locations of Interest Based on Your Personal Circumstances

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity, and serviceability?
    - What is your time availability?
    - Do you intend to be the hands on manager or use a management company?
    - How far are you prepared to travel?
    - Is your strategy to hold long-term?
    - What is your level of experience?
    - What is your risk profile?
- Based on your personal circumstances determine what type of region you are targeting including:
    - Metro areas
    - Regional areas
    - Mining and resource areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. metro area, within a distance that you are prepared to travel – say maximum of 1 hour if you are hands on managing, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria.

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations above, research their specific characteristics including:
    - Population size and growth
    - Employment diversity and growth

- Income profile
- Infrastructure spending
- Supply and demand
- Rental affordability
- Rental vacancy rate
- Council's attitude to development

- ✓ Based on the above research, shortlist the top 3 target locations that meet your personal circumstances. These might be three suburbs, or three regional towns
- ✓ For each of your 3 target locations, research the population growth, employment growth, demographics and forward projections, and educate yourself about the area and the real estate industry in general. At the end of the day this is still an investment property and you want it located in the best area possible for price growth and stability.
- ✓ Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details etc.

Step 2 - Strategy Research from a Supply and Demand Perspective

- ✓ For each of your three target locations, educate yourself on the demand for executive/short stay leasing, researching the following sources:
    - Property managers that specialise in executive leasing, short stay, holiday accommodation etc.
    - Online and newspaper ads for executive leasing, short stay, holiday accommodation etc.
    - Online booking agents for this type of accommodation e.g. Airbnb, Stayz etc.
    - Industry associations in your State and nationally that support this type of service, e.g. tourism council for holiday home accommodation, National Holiday Rental Code of Conduct,
    - Consider running your own internet ad, or creating a mock website, or newspaper advertisement to advertise potential accommodation and assess the response.
- ✓ From these same sources, research what the target market wants in accommodation including:
    - Location, e.g. what suburb, what preferred streets, what preferred part of the street, down to what apartment building, and what part of the building, e.g. what floor, what aspect or view etc.

- Accommodation style, e.g. apartment, unit, townhouse, house – single person, couples, family accommodation etc.
- Configuration of accommodation, e.g. number of bedrooms/bathrooms/family areas, ground level or multi-storey, stairs or elevator access, parking, outdoor entertaining areas, yard area etc.
- Level of finishes and furnishings, e.g. high-end, executive, relaxed beach style, right down to the specifics including provision of a blue-ray video player, block-out blinds etc.
- Specific features, e.g. views, gymnasium, swimming pool, etc.
- Proximity to infrastructure/services e.g. walk to CBD / beach / cafes, near pubic transport / university / hospital etc.
- Services offered, e.g. cleaning, linen, yard maintenance, food, transport etc.
- Rental rate for various durations, e.g. two nights, weekly, monthly, etc.

- ✓ Ascertain from the above sources the current supply of this style of accommodation, who are the existing providers (and therefore potential competitors), where they are located, what they provide, who they service / clientele, what their rental rates are, what their occupancy is, etc.
- ✓ Contact the existing providers identified above and research as much as possible, their accommodation business - the more you can understand their business the better
- ✓ Research existing executive rental / short stay accommodation providers whose property is for sale, in order to better understand the industry. If a property is for sale and you present as a potential purchaser, a greater amount of information is likely to be disclosed to you on request, including:
    - Income and rental rates
    - Running and holding costs
    - Cash flow
    - Occupancy rates
    - Tenant profile
    - Management
    - Compliance – council, government, tenancy authority, building code etc.
    - Management plan, fire and emergency response plan, house rules etc.
    - Insurances
    - Industry associations
    - Marketing strategy to individuals and companies – photos, advertising copy, direct marketing, mass marketing etc.

- Visit other executive rental/ short stay accommodation to better understand the industry.



Target area was within 6km of the Sydney CBD, within 5 minutes walk to light rail, buses, schools, major shops and restaurants. Research revealed that the target executive rental market was executive families on high income and with small children wanting to live close to CBD in a trendy suburb close to infrastructure and services. Families could afford higher rent and would do short-term rental as they had to relocate for work, or while renovating their house and need temporary housing, or expats working locally with a preference to live local rather than in a hotel room.

Step 3 - Strategy Research from a Compliance Perspective

General

- For each of the target locations, research the compliance requirements for short stay accommodation. It can differ from council to council, and State to State – A suggestion is to start with an internet search "short term accommodation compliance" in your State and council etc.
- Compliance may also differ between sole occupancy and shared accommodation within a residential dwelling. Sole occupancy is where an individual, a couple, or a family reside at the accommodation on their own. A shared arrangement is where multiple unrelated people stay in the same accommodation and share common facilities, e.g. kitchen and living area. An example of this would be where four

tourists that don't know each other are sharing a 4 bedroom house booked independently through Airbnb.

Local Council

- Councils differ in their treatment of this short-term style of accommodation and so for your three target areas, research the council requirements for this type of accommodation
- The main council departments that may have input include:
    - Town Planning Department
    - Building Department
- From a town planning perspective:
    - Council's objective is typically to ensure that short-term accommodation in residential dwellings is located appropriately to maximise amenity to the visitor, e.g. tourist, while minimising conflict with ordinary residents. Hence, locations close to tourist attractions and amenities, e.g. beach, town centre, are likely to be preferred by council than locations in suburban areas
    - What level of assessment is required
    - What planning requirements need to be achieved, e.g. preferred locations, site constraints - flooding, bushfire prone etc.
    - What is the council assessment process, application fees, compliance fees, approval timeframe etc.
    - A management plan may be required for submission to council detailing such things as who will be the manager, how will nuisance issues such as noise be addressed, a fire and emergency response plan, car parking provision, signage, number of people occupying premises, maximum period of stay, house rules
    - Property may be added to a holiday home register maintained by council
    - Council may also encourage owners / managers attain accreditation from the tourism council in your state e.g. Australian Tourism Accreditation Program
- From a building department perspective:
    - What building requirements need to be achieved
    - What is the council assessment process, inspections, application fees, approval timeframe etc.

Building Code of Australia

- The only consistent framework Australia wide is the Building Code of Australia
- The class of building dictates the building code Requirements that need to be complied with. You must research this and understand it
- In most instances, if you are using a residential dwelling for short-term accommodation, it only needs to comply with the code for a residential dwelling being either a Class 1a or Class 2 building:
    - Class 1a – A single dwelling being a detached house, or one or more attached dwellings, each being a building, separated by a fire-resisting wall, including a row house, terrace house, town house or villa unit. Think of this as buildings with fire separation between the walls only
    - Class 2 – A building containing two or more sole occupancy units each being a separate dwelling. Think of this as buildings with fire separation between the floors and walls, e.g. apartments, or units one above another
- The key requirements of both include:
    - Smoke detectors
    - Energy efficiency measures, e.g. energy efficient lighting, hot water supply, glazing
    - Water efficient measures, e.g. water efficient plumbing fixtures and fittings
    - Fire separation
    - Glazing to Australian standard for its location and type of glass including windows, doors, shower screens, mirrors etc.
    - Balustrading to stairs, balconies, decks etc.
    - Stair construction – risers and goings
    - Compliance with requirements for fire prone areas
    - Water resistance and waterproofing to wet areas
- Consult with a building certifier in the three target areas to undertake this research

Tenancy Authority, Office of Fair Trading, Equal Opportunity

- Each State has a tenancy authority and they too may have requirements for executive rental and short stay accommodation
- Certainly in your State, it's important to understand the definition of a non-related person and the number of non-related people that can reside in a dwelling for it to remain classed as a dwelling being used for rent by room, and not a boarding house, e.g. in Queensland up to 4 unrelated parties retains a dwelling house

classification, whereas above 5 is classed as a boarding house or rooming house style of accommodation

- If the executive rental is three months or longer, a standard residential lease may be applicable and the occupant is referred to as a tenant
- For short stay that is less than three months, the residential tenancy agreement under residential tenancy legislation is not generally entered into and instead guests/visitors are granted a limited permission to occupy the property for holiday purposes. Because the tenancy regulations in this instance generally do not apply, the word tenant is not used either and instead the occupant is called a guest, visitor, client etc.
- Research the requirements in the State of your three target locations, e.g.
    - Occupancy / lease documents
    - Landlord responsibilities and rights
    - Manager responsibilities and rights
    - Occupant/visitor responsibilities and rights
    - Compliance requirements etc.

Summary of Compliance Requirements

- Create a summary list of the compliance requirements that need to be fulfilled at the various levels, detailing what works are required, what documentation is required, what approval is required etc.

Step 4 – Mapping, Shortlisting and Prioritising Target Areas

Mapping and Shortlisting Target Areas

- From your research in Step 2, summarise the key locations/infrastructure that the target market wants to be near and if possible list in order of priority, e.g. specific suburbs/streets/buildings, within a 5 minute walk of CBD/restaurants/cafes etc., near beach/shops/hospital, within a 10 minute walk of public transport etc.
- For each of the 3 target locations, map the listed key locations/infrastructure above
- Highlight the areas on the map that are within the desired proximity of this key infrastructure e.g. within 10 minute walk of university/TAFE, 5 minute walk to local shops
- Identify those areas on the map within the desired zone of as many of the key locations/infrastructure as possible e.g. Area A is in the desired proximity zone of 4

key infrastructure, e.g. hospital, local shops, train station, cafes, Area B, C, D, E are within the desired proximity of 3 key infrastructures etc.

- Shortlist the areas and order from highest to lowest with regard to the number of key infrastructure within the desired proximity e.g. Area A, Area B, C, D, E
- Add to the map known executive rental/short stay accommodation identified from your research in Step 2
- Add to the map any other general infrastructure of importance (not already included above), e.g. schools, parks, sporting facilities etc., and note their proximity to the shortlisted areas
- Research changes in infrastructure planned for the future and depict on the map, e.g. new road infrastructure, or new shops being built etc., and add this information to your shortlist of areas.

Prioritising Shortlisted Target Areas

- From the shortlisted target areas, select the top three areas
- Identify if any of the areas fill an obvious gap in the mapped areas where little competition exists for this style of accommodation
- If there is not an obvious top three, but instead say 10 areas in the top three, use grid variance analysis to assist in the prioritisation process.

Grid Variance Analysis

- For all of the areas in the top three, research the price ranges (low, medium, and high), for say a 2 bedroom unit so you can make comparisons
- Do grid variance analysis on these areas
- Use this tool to narrow down your list to three target areas with the highest variance between the low and the mid of the market.

Search and Data Facilities

- Google, Google Maps, Google Earth
- Internet searches of short stay accommodation booking agencies
- Real estate websites
- Real estate agents

Step 5 - Street and Property Focussed Research

Street Focussed Research

- Within each of the three target areas, drill down to the street level and identify target streets that better meet your criteria and highlight on your map
- If your research in Step 2 identified specific target streets, add these to your map
- Highlight the streets in the target areas that you want to avoid, e.g. high noise, flood prone, overland flow affected, bushfire prone, high crime etc.
- Become an area expert!

Property Focussed Research – Deal Finding

- In your desired streets, drill down to an individual property level to identify those properties that are worthy of property specific due diligence
- If your research in Step 2 identified specific target apartment buildings recommended by management agencies, add these to your list
- Use the various tools for finding individual properties of interest, including:
    - Property websites, e.g. realestate.com.au, Investar, Domain, Gumtree etc.
    - Real estate agents and buyer's agents
    - Specialist executive rental agencies and property managers that may know owners interested in selling
    - Talking to locals
    - Letterbox drops
    - Door knocking
- Use search terms to identify potential properties on the internet and in talking to real estate agents and locals, e.g. executive rental, holiday homes, holiday accommodation, short stay, short term rental, cash cow, X bedrooms, cash flow, high yield etc.





Vacant land was purchased in the target area and a 3 bedroom house was built and subsequently turned into executive rental on the basis of demand in the area.

Step 6 - Property Due Diligence

- Undertake detailed due diligence on the individual properties of interest including potential opportunities and constraints.

Strategy Due Diligence

- Assess if any works are required to convert the dwelling into the desired configuration, e.g. number of bedrooms/bathrooms, layout etc.
- Assess if any works are required to ensure compliance with the Building Code of Australia, e.g. glass type, balustrade, stairs etc.
- Assess the capacity to meet the council, tenancy authority and Office of Fair Trading requirements if applicable
- Summarise the works required to fulfil the various levels of compliance
- Where necessary, consult with the building certifier to confirm the works required.

Business Due Diligence

- Assuming the property is being sold as a going concern executive rental or short stay accommodation, complete due diligence on the business itself, including:
    - Financials - income, expenses, cash flow
    - Detailed expenses - property management, rates, body corporate, insurances, water, electricity, gas, land tax, cleaning, maintenance/repairs, mowing, pest control, termite inspection, smoke alarm inspections, council compliance inspections, furnishing replacement, internet, Foxtel, advertising, booking agency fees, phone, bookkeeping, accounting etc.
    - Detailed income – rental rate, utility services if billed separately (water, electricity, gas), additional services, e.g. cleaning, food, linen, transport etc.
    - Method of income payment – cash, credit card, funds transfer etc.
    - Room rental rate and history of increases over time
    - Market yield in the area for similar type properties and how this property compares
    - Profile of clients/visitors – see detailed list next
    - Current and historical management – see detailed list next
    - Referral sources for clients/visitors
    - Occupancy rate and variability/seasonality

- Inventory list of furnishing, fittings etc.
- Historical turnover of furnishings and fittings
- List of house rules and method of enforcement
- Copy of management plan, fire and emergency response plans etc.

Property Manager Due Diligence

- Assuming the property is being sold as a going concern executive rental or short stay accommodation, and has a property manager/management agency, complete due diligence on the manager, including:
    - Who manages the property and what are their roles and responsibilities re advertising, vetting and booking visitors/occupants, entry and exit inspections, key pick-up/drop off, complaints management, cleaning, rent collection, periodic inspections, compliance inspections and reporting etc.
    - How long have they been the property manager?
    - Fees and charges and when last increased
    - Record keeping and capacity to provide previous rental statements, entry and exit condition reports, periodic inspection reports, maintenance works completed, insurance claims, complaints register etc.
    - Network of clients/visitors
    - Structure of management company, e.g. who manages and historic turnover of property managers
    - Current management company rental vacancy rate versus average for area
    - Current management company average days listed for rent versus average for area
    - Availability of tradespeople and supplies for maintenance.

Visitor / Client Due Diligence

- For each visitor/client residing at the property, complete the following due diligence:
    - Who are they, e.g. single, couple, kids?
    - How long have they lived at the property and how long do they intend staying?
    - Are they employed or unemployed?
    - Do they have a current occupancy agreement in place?
    - Rental rate history – amount, pay on-time, payment method, e.g. direct debit, credit card, cash

- Default notices issued (rent arrears, noise/disturbance, complaints, damage, violence, unapproved visitors/animals etc.)
- General cleanliness and tidiness of property
- History of request for maintenance, improvements etc.
- Criminal record
- Booking agency/management and follow-ups conducted

Property Due Diligence

- Improvements previously completed – what, when, by whom
- History of repairs and maintenance
- Confirm with council that the property is council approved for its current use, confirm the number of bedrooms approved, their configuration, the age of the approval – if applicable
- Use a building inspector to assess the property's compliance with the Building Code of Australia and determine any works required, e.g. stairs, balustrade, glass, smoke alarms, water saving devices etc. Inspector to also report on the general condition of the property and any repairs or maintenance required
- Termite inspection to identify potential current or historic damage
- Research the property's potential to be further developed, including:
    - Capacity to add additional dwelling/s
    - Capacity to divide existing property into multiple dwellings
    - Capacity to strata title
    - Existence of vacant land to further develop, e.g. subdivide
    - Capacity to increase density in the future by partially or completely demolishing existing infrastructure
- Research the general property due diligence items below in the early stages of reviewing target properties. These items may, however, need to be revisited and further researched in greater detail during the conditional period of the contract:
    - Illegal building works onsite – structure not council approved,
    - Structures not built to the Australian Building Code, including built form, smoke alarms, safety switches, pool safety etc.
    - Usage of structures not council approved, e.g. converted garage, multiple incomes, granny flat,
    - Renovation works not council approved, not done to the building code, or not done by appropriately licensed or qualified person

- Condition of existing property – termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation

- [ ] Research general repairs, maintenance, and renovation works required to the property
- [ ] Research site-specific constraints that may affect the property now and in the future, including:
    - Flooding
    - Waterways in close proximity
    - Overland flow
    - Bushfire prone area in close proximity
    - Cultural heritage
    - Demolition control
    - Significant trees
    - Soil type – swelling and cracking clays
    - Contaminated site
    - Easements – sewer, power, access ways
    - Encroachments – survey site
    - Covenants
    - Caveat or other encumbrances
    - Notation on registered survey plan
    - Neighbour disputes
    - Council show cause notices
    - Heritage listed buildings
    - Above ground infrastructure at the front of the property that may affect future development potential – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
    - Underground infrastructure – man holes, disused septic tanks, buried water tanks, Telstra pits
    - Shared services between neighbouring properties – e.g. combined sewer drain
    - Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, higher density units/apartments/ commercial etc.

- Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours,
- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate

- ✓ Note that some of the site specific constraints may not be fully researched until later in your due diligence, once you know there is potential profit in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints
- ✓ Capacity to obtain insurance for short-term accommodation usage at the property, as many residential public liability insurance policies exclude the use of premises for short-term rentals.

Step 7 – Your "A" Team

The Initial Team

- ✓ Property manager/ leasing agent
- ✓ Building certifier
- ✓ Building and pest inspector
- ✓ Builder
- ✓ Moneylender or Broker
- ✓ Tradespeople including plumber, electrician
- ✓ Real estate agent/buyer's agent
- ✓ Valuer
- ✓ Town planner
- ✓ Accountant
- ✓ Booking agencies re booking residents

The Subsequent Team

- Building designer
- Specialist consultant re disability compliant design if required
- Land surveyor
- Insurance broker
- Depreciation report specialist (quantity surveyor)
- Cleaner

The Individuals

- Look for individuals that specialise in property and more specifically executive leasing/short-term accommodation
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant e.g. Building Assoc., Law Society, Institute of Quantity Surveyors etc.
- Ensure professionals are completely familiar with local and State regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress on individuals to keep them on target.

Property Manager Selection

- Assuming that you are not self-managing the executive leasing/short stay accommodation, the property manager/leasing agent is key to the success of your property and business
- Do not assume that the current property manager is the best – you need to do your own research to select the best property manager that meets your needs
- Make sure that they are a member of your State's professional association and are fully trained and accredited
- Where possible meet them and discuss your property
- Interview the property managements that specialise in executive leasing/short stay accommodation and ask the following questions:

- Number of properties managed by them in total and number managed by each property manager – you want them to be able to give you, your residents/visitors/clients and your property personalised attention
- Manager's rental vacancy rate versus average for area
- Manager's average days listed for rent versus average for area
- Structure of management company, e.g. who manages and historic turnover of property managers – you don't want a high turnover of staff
- Availability of tradespeople and suppliers for maintenance, e.g. appliance repairs, handyman, electrician and plumber, etc.
- What are their opening and inspection times – will they show the property to prospective residents after business hours, e.g. after work and on weekends?
- Where is their office located relative to the property? – You want a manager relatively local to the property for ease of inspections etc.
- What is their strategy for marketing for rent – you want a property manager with a diverse network/database/contact list, and one that is proactive and creative at actively marketing the property
- Fee structure including tenanting, inspections, annual statements, arranging cleaning and maintenance works, etc.
- Current landlords that would be prepared to talk with you and confirm their experience

- ✓ Make sure you feel comfortable with them, that they are motivated, and that you get the responses you want
- ✓ Engage your preferred property manager based on a short termination clause, e.g. 30 days rather than 90 days - so that if they are not performing at any point you can terminate the management agreement in the shortest time period possible

Step 8 – Draft Scope of Works

- ✓ If any conversion works, repairs, maintenance or renovation works are required, prepare a draft scope of works
- ✓ List all works proposed for the building interior, e.g.
  - Addition of bedrooms
  - Kitchen
  - Bathroom/s
  - Laundry

- Painting
- Floor coverings
- Wall coverings
- Lighting/fans/air conditioning/heating
- Electrical
- Robes
- Doors, door handles, door locks
- Make good repairs

- [ ] List all works proposed for the building exterior, e.g.
    - Roof, gutters, downpipes
    - Windows and doors
    - Painting, rendering, bagging
    - Lighting
    - Stairs
    - Ramps
    - Veranda/balcony/patio/pergola
    - Balustrade
    - Carports/garage
    - Aerial
    - Make good repairs
- [ ] List all landscaping and site works, e.g.
    - Gardens
    - Turf
    - Garden edging
    - Retaining walls
    - Garden shed
    - Driveway
    - Paths
    - Fencing and gates
    - Drainage works
    - Irrigation
    - Letterboxes

- Clotheslines
- Car parks
- Frontage works – council verge

- List all furnishings that would be required for the property to meet the client's needs, e.g. can opener through to lounge and bed linen.

Step 9– Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the property
- Research the costs to hold the property
- Research the costs to undertake required conversion works, repairs, maintenance, and renovation
- Research the compliance costs
- Research the income potential for the end product
- Research the market value of the end product
- Research the demand for the end product – rental and sale
- Research the various exit strategies, including renting as a standard dwelling
- Research and create a realistic timeline of the project, including purchase, conversion/maintenance/renovation works, renting if vacant etc.
- Complete rough feasibilities on the various options to do the deal and the various exit strategies
- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility looks promising, undertake a detailed feasibility

Detailed Feasibility

- Conduct cash flow analysis on the expected rental income, holding costs and bank interest on 100% of costs
- Factor in a rental vacancy period to allow for tenant turnover, e.g. 4-8 weeks per year, depending on the seasonality of the market – be guided by your research in Step 2
- Conduct sensitivity analysis to determine the sensitivity of the cash flow to interest rate increases, rental vacancy, rental rate decline, and increased maintenance costs

- There is no specific positive cash flow target, so you have to determine what profit you are prepared to accept for the money tied up, the time to complete the project, the risk, the on going management required etc.
- Prepare numerous feasibility studies with varying rental rates and renovation options to confirm the preferred strategy
- Talk to property managers/leasing agents and real estate agents in your area to understand the previous, current and future market – rental and sale
- If your feasibility studies show that your project is not financially viable, review the rental rates, holding costs, renovation costs, and assumptions with your team, e.g. property manager/leasing agent, builder. If it is still not viable - DO NOT proceed
- Continually update and review your detailed feasibility as your costs are updated with each new quote, and as more information comes to light
- Assess the tax implications of your project e.g. Income Tax, Land Tax, Capital Gains Tax, GST.

Purchasing, Finance Fees and Charges, Compliance and Renovation Works

- Property purchase cost
- Due diligence costs (building and pest, builder and building certifier's assessment, specialist reports)
- Conveyancing and title search fees
- Stamp Duty (vary from State to State)
- Legal fees and miscellaneous legal fees
- Company establishment fees
- Buyer's agent's fee/commission – if applicable
- Council rates and local authority fees or adjustments
- Valuation or appraisal fees by the lender
- Accountancy fees
- Compliance fees
- Design works
- Renovation and repair works

Income

- Rental rate
- Utilities charged if not in rent, e.g. electricity, water, internet
- Additional services provided, e.g. cleaning, food, transport etc.
- Bond claimed, e.g. security deposit bond, cleaning bond, key bond, general etc.

Operating Costs

- Interest on finance
- Council rates
- Insurances (building, contents, public indemnity, landlord etc.)
- Property management fees
- Booking agent fees
- Body corporate fees – if applicable
- Services, e.g. water, electricity, gas
- General site maintenance and repairs
- Yard maintenance
- Annual inspections/works, e.g. pest control, termite inspection, smoke alarm inspection
- Compliance costs
- Land tax – if applicable
- Cleaning
- Rubbish removal
- General furnishing replacement
- Travel
- Advertising
- Phone
- Bookkeeping and accounting

Step 10 – Choosing Your Site

Choosing Your Site

- Shortlist your preferred sites in order of preference
- Enter negotiations on each as per Step 11

Ensure Ownership Structure is Setup

- Ensure the ownership structure is set-up and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications
- Types of structures include:
    - Company

- Company Discretionary Trust
- Company Unit Trust
- Company Hybrid Trust

Step 11 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- ✓ Decide if you will negotiate the purchase or if you will use a buyer's agent
- ✓ Approach each owner and ask relevant questions and listen
- ✓ Go away and prepare a purchase contract if successful
- ✓ Consider all information and determine a fair offer.

Negotiating the Property Purchase

- ✓ Prepare the contract for the purchase of the property
- ✓ Sign the deal there and then if you have made a decision
- ✓ Ensure your contract is conditional and includes an 'opt out' clause just in case
- ✓ Be specific about the terms and make sure they are to your advantage
- ✓ Make sure that all of the sellers are present when negotiating to sign
- ✓ Ensure that on the contract, all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- ✓ If the property is being sold leased, ensure that all the occupants details are correct, whereas if the property is being sold with vacant procession, or you require vacant procession on settlement, ensure that this is noted on the contract
- ✓ Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- ✓ Negotiate directly with the owner of the property wherever possible
- ✓ Confirm all instructions and negotiations in writing

Process Upon Acceptance of Offer

- ✓ On signing a contract, ensure that you organise a cover note for Building and Public Liability Insurance over the entire property. Consider if contents insurance is also required, e.g. furnished property
- ✓ Deposit is paid to deposit holder and held in trust account
- ✓ Original contract goes to purchaser (you)
- ✓ Copy of contract sent to the seller's lawyer

- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker/financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet on site will key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. build and pest, site survey, specialist reports like flood, disability compliance etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants etc.
- Consultants progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications and compliance documents if required

Settlement Phase

- Liaise with the finance broker / financier to ensure they are prepared for settlement
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be in, based on the contract
- Make sure your lawyer does a final land title search the day prior to settlement
- If the property is leased, consider if Landlord/Tenant Protection Insurance is warranted, and if so take it out
- If tenanted, liaise with the property manager prior to settlement to ensure you will be noted as the new owner and that they have your current account details for rent payment

- Have electricity account changed to your name if vacant possession on settlement, or if utilities are included in the rent paid, these need to be provided by you and hence in your account name.

Step 12 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in executive leasing, short-term rental properties
- Ensure that you deal with a lender/broker that understands your needs
- Ensure that contracts are 'subject to finance'
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application with a commercial finance broker or department
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire project, including renovation works if applicable
- Make sure that you include all the relevant documentation in your application
- Advise finance broker/institution that the property is 'under contract' and 'subject to finance' and potentially other conditions – provide them with a copy of the contract
- Complete a finance application submission and present it to the broker.

What to Include in Your Application for Finance

- Introduction
- Financial proposal/commitment
- Site information – mapping, description, profile of clients/visitors
- Quotes for renovation works if being included in the finance application
- Demographic and target market for clients/visitors
- Cash flow analysis
- Evidence of current rental income
- Rental appraisals if different from current rents
- Property manager's/leasing agency experience
- Timeline of workflow
- Conclusion

- Double check that all figures are correct.

Risk Assessment

- Supply a report of your financial history, assets and cash flow, and property experience
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross-securitisation with other property you own.

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- If applicable, instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation.

Step 13 – Undertaking Conversion / Renovation / Maintenance Works

- Refer to the renovation section of Module 10 for a detailed checklist of the renovation process.

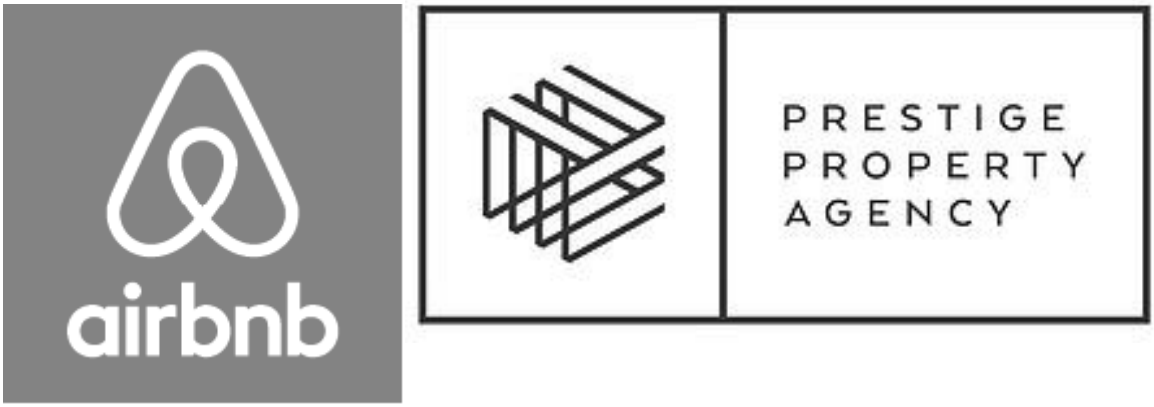
Step 14 – Compliance / Development Approval Requirement

- From your research in Step 3, demonstrate fulfilment of compliance requirements and lodge documentation for approval as required
- If council development approval is required, refer to the development approval section of Module 10 for a detailed checklist of the process.

Step 15 – Advertising For Rent

Prior to Marketing your Property

- Periodically research the other properties available for executive leasing/short stay basis that you will be competing against. What is their rental rate, days on the market, the quality of their photos, their copy and description?
- Discuss your property with your shortlisted property management agents/leasing agents and request their feedback on rental price resistance levels for your type of product, what rental price would they recommend for your product, current supply and demand, recommended marketing strategy, and marketing costs if any
- Record this data for future reference
- Identify how you can make your property stand out, e.g. professional photos, targeted copy that highlights your property
- Decide on a rental price you can offer based on your research
- Update your feasibility analysis with the proposed rental prices.



Rental is through Airbnb and other specialist executive rental agents working close to CBD.

Commencement of Marketing

- Prepare the written copy for your advertising, incorporating the features that will attract occupants based on your due diligence
- Have professional photographs taken, including aerial view photos if appropriate
- Monitor enquiries and prospective occupant's/client's/visitor's feedback so you can address as required

- Follow-up property manager weekly for feedback on progress.





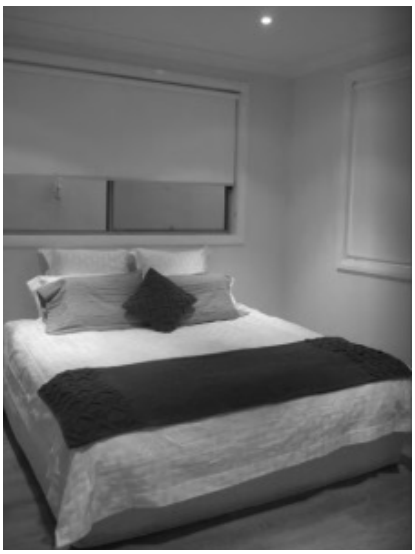
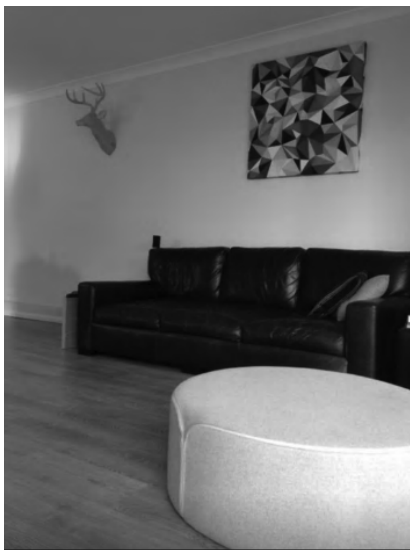
House is rented short-term fully furnished including Foxtel and wifi, plus gas, electricity and water. Inventory list includes everything down to the forks and saucepans. Ensure the agent/ cleaner double checks the inventory list on check out because things go missing. Do not return bond until this is checked 100%. Tenant pays for cleaning.

Step 16 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to buying the property so that you understand your obligations, e.g. Income Tax, Capital Gains Tax, GST, Land Tax
- Put structures in place to minimise risk and maximise tax benefits
- If you are doing significant renovation works, discuss with the accountant if it is beneficial to have a depreciation schedule prepared prior to renovation works to maximise depreciation of demolished items
- Ensure that you have a depreciation schedule prepared for the finished product on completion of renovation works, so as to maximise the tax benefits
- Determine the bank account to be used for paying holding costs and for receiving rents
- Create a system for filing invoices and recording all payments

- Submit all relevant documents to your accountant annually, or more regularly if required.


The property achieves on average 80% rental occupancy per year. Always booked in school holidays, public holidays etc. Most tenants are expats local and overseas, and families renovating in the area. Can accommodate up to 6 guests. Some large companies have rented for 3 – 5 months and paid short-term rates the whole time. Property management fee is on average around 15% in Sydney versus normal rental at 5-6%.

Step 17 – Valuation and Refinancing

- On completion of the project and once you have a history of occupation, consider if it is appropriate to have the property revalued and refinanced
- Discuss the revaluation and refinancing process with your mortgage broker and confirm the timing, e.g. they may recommend a 6 month gap between the purchase valuation and revaluation
- Research market values of comparable properties and prepare relevant information for the valuer including:
    - Recent comparable sales – and comparison to your property
    - Copy of your occupancy agreements and summary of the rental rates and occupancy duration, terms etc.
    - Description of your property's features including list of completed renovation works if applicable
- Consider if it is appropriate for you to engage and pay for your own valuation, prior to getting the bank valuation

- Where possible meet with every valuer onsite and provide them with your research
- If you have had your own valuation done, and you are happy with it, provide it to the bank's valuer both prior to them arriving on site, and at the site meeting.

Step 18 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced.

Project Review

- On completion of the project undertake a review
- Complete an "Actuals" feasibility of the project, detailing the actual costs, income and cash flow, market value
- List down your learnings - what worked, what didn't work, what you would do differently next time, how you could improve
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.

PLATINUM
ACCELERATOR

Commercial Property

This checklist covers commercial properties, both general and specific commercial properties. A general commercial property includes the likes of industrial sheds, industrial hardstand, commercial space, e.g. office, retail, medical etc. Specialist commercial includes storage sheds, carwashes, caravan parks, hostels, backpackers, motels, aged care, childcare etc. Typically with the more specialised commercial, you are buying a business real property, hence there is a business component along with the underlying property component. Regardless of whether you are managing the business or whether your tenant is running a business, significant due diligence needs to be undertaken on the business, as its success will impact on the success of the property.

As with the other checklists in this module, there are numerous ways of undertaking commercial property and each differs in the level of complexity. Detailed below are examples of the different options listed in order of complexity:

1) Purchase a tenanted commercial property, e.g. leased industrial shed
2) Purchase a vacant commercial property and source a tenant, e.g. vacant industrial shed
3) Purchase a going concern freehold business where you own the underlying real estate and the business. This is what we call 'business real property', e.g. purchase an existing operating storage shed complex on freehold land, or an existing operating freehold caravan park.
4) Develop from scratch, e.g. obtain council development approval to build a commercial building and then have it tenanted, or develop a storage shed complex and set up the business from scratch, or lease it out to an operator.

For the purpose here, and in order to cover as many scenarios as possible, this checklist will be based on purchasing a going concern freehold business real commercial property such as storage sheds. In fact, a storage shed deal will be the real deal example profiled throughout. If the intention is to develop a commercial property from scratch, however, then the Development Application Checklist in the previous module should be combined with this checklist. This is because the process of development approval is very similar regardless of the property type. Hence, that checklist is as relevant to developing a commercial property as it is to developing a residential multi-unit complex.

The emphasis in this checklist will also be holding for cash flow rather than for resale. If, however, resale is the intention, Module 10 checklists include a significant component on the sales process.

Step 1 – Cycle of the Commercial Property Market

- Research the trend of the market and where investors are investing. Investors invest where they can get the best return on their money. When markets are trending, investors tend to move towards the trending markets - herd mentality.
- Research if the commercial property market is trending and where in the cycle you are buying in. When the share market is moving, investors tend to pull out of real estate and move into shares, and when residential property is trending, commercial tends to be more subdued – which is the natural movement of the market and you just need to understand where in the cycle you are buying in.
- Research the impact of interest rates on the current market. When interest rates rise and the relative yield on commercial properties declines, alternative investments may become more appealing and money may flow away from commercial property into more secure investments like term deposits.
- Research the market sentiment – what is investor and buyer confidence?
- Macroeconomic factors that affect the availability of borrowed money and in turn what the banks are prepared to lend on, the LVR and interest rate will affect the value of commercial property – hence, important to research factors including:
    - Global money market
    - Exchange rates
    - International and Reserve Bank interest rates and sentiment,
    - Australia's Standard & Poor's ranking
    - Balance of trade
    - Availability of foreign capital, e.g. the more money in the system the more confident the market, the more stable the market and the more likely commercial values will increase.

Step 2 – Define Your Personal Circumstances and Strategy

Define Your Personal Circumstances to Better Understand the Type of Commercial Property that Suits your Needs:

- Detail your personal circumstances including:
    - What is your available equity, borrowing capacity and serviceability?
    - What is your time availability?
    - Do you intend to be the hands on manager or use a management company?
    - How far are you prepared to travel?
    - Is your strategy to hold long term?
    - What is your level of experience?
    - What is your risk profile?

Define Your Strategy

- Is it a short or long term Investment? There are different considerations if it is a flip deal versus a long-term hold deal, e.g. flipping requires a strong market to sell back into.
- Is it a cash flow or growth deal? This will be influenced by your equity position. Natural market growth is affected by the market strength and so location has an impact, e.g. typically higher growth in more metro locations versus regional.
- Is your involvement going to be passive or active? This will be impacted by your personal circumstances including your time availability, your capacity to travel, your previous experience etc.

Step 3 – Select your Target Commercial Property Type

Based on your personal circumstances, your equity, your research on commercial market trends, select your target commercial property type:

Commercial Offices:

- Range from individual offices to multi-storey office buildings.
- Larger buildings can be complex due to the complex structure, being strata titled in nature, and the many services provided. These can be costly to maintain and manage, e.g. lifts and air-conditioning.
- The 'look' is significant and the décor needs to be up-to-date.

Medical Offices/Centres:

- Generally very consistent tenancies that are easy to let, easy to refill, and tenants generally stay for 10 to 20 years
- Yields are normally consistently strong from 8 – 12%
- Entry prices can be low, ranging from a few hundred thousand dollars up.

Industrial Buildings:

- Lowest entry point into commercial style property
- Simplest class of commercial and cheapest
- Easiest to understand and highest cash return
- Usually simple box construction with office partitioned off hence cheap to build and maintain
- Less reliant on foot traffic so site location is less influential, however they are often best conglomerated together so the businesses feed off each other. Also, council likes to keep industries together.

Retail Buildings:

- Range from single shops, strip shops, through to small shopping centres and shopping malls
- Price range from < $100,000 for a single shop up to hundreds of millions for whole shopping malls
- Simpler structure than office buildings, being a simple box-type construction with an architectural frontage
- Retail is very site conscious because location is everything when in retail business as it can be greatly dependent on foot traffic. Bigger bulk retail centres are tending to go further out into more industrial areas but by grouping together create a destination for shoppers.

Mixed Use / Multiple Income Properties:

- Combination of retail and residential, or retail and industrial, or offices and retail and/or residential.
- Reduced risk because a number of different tenants running different businesses, or being used for a number of different purposes, hence, the likelihood of 100% vacancy is low, meaning you are always likely to have someone paying rent.
- Offers diversity by having exposure to a number of different sectors.

Special Purpose Commercial:

- Properties with particular zoning, design, characteristically designed for particular industry or business, e.g. storage sheds, sporting facilities, e.g. squash courts/ tennis courts, child care centres, recreation facilities, e.g. theme parks, tourist destinations, e.g. cheese/ginger factories, industrial buildings with specific design criteria, retirement/aged care facilities.
- The market cycle and trend of the particular industry will influence this property class and they tend to carry some risk given the target market for leasing and resale is smaller.

Step 4 – Location Research

- Based on Your Personal Circumstances and Your Defined Strategy, Determine What Type of Region You are Targeting, Including:
    - Metro areas
    - Regional areas
    - Mining and resource areas
- Review on a map and list all the locations that meet your personal circumstances and region type, e.g. metro area, within a distance that you are prepared to travel – say maximum of one hour if you are hands on managing, within your risk profile, at a price point that meets your budget, etc.
- Narrow this down to the top 5 locations of interest that meet your criteria

Research Locations of Interest and Shortlist 3 Target Locations

- For each of the 5 locations above, research their specific supply and demand fundaments including:
    - Population size and growth
    - Employment diversity and job creation
    - Business movement
    - Income profile
    - Industry spending
    - Government infrastructure spending
    - Supply and demand
    - Rental affordability
    - Rental vacancy rate
    - Council's attitude to development

- Based on the above research, shortlist the top 3 target locations that meet your personal circumstances and have the most favourable supply and demand characteristics. These might be three regions, three regional towns, or three suburbs.
- For each of your 3 target locations, research the population growth, employment growth, demographics and forward projections, and educate yourself about the area and the residential and commercial real estate industry in general. At the end of the day this is still an investment property and you want it located in the best area possible for price growth and stability.
- Commercial property trends also tend to lag behind residential trends, and so understanding the residential trends are important. For storage sheds in particular, the more prosperous a residential area the more likely they are to spend money on storage and the more 'things' they will have to store, hence, the importance of understanding the residential housing market as well.
- Set up a spreadsheet with area information for easy reference, including maps, research results, research sources, contact details etc.

Step 5 - Strategy Research from a Supply and Demand Perspective

- For each of your three target locations, educate yourself on the demand for the commercial property type you have selected, e.g. industrial buildings, or medical offices, or storage sheds etc.
- Research the following sources - storage shed example:
    - Industry associations, e.g. Self-Storage Association Australia and Australasia.
    - Commercial real estate agents that specialise in storage shed properties for sale and lease.
    - Specialist self-storage industry consultants, and specialist commercial consultants that research the demand for specific end uses, e.g. storage sheds.
    - Self-storage franchising companies.
    - Online and newspaper ads for self-storage etc.
    - Local real estate agents that may get enquiries for storage or that may rent storage sheds.
    - Local residential real estate sources that can characterise the residential market trends and hence relate this to potential storage shed demand.

- Consider running your own internet ad, or creating a mock website, or newspaper advertisement to advertise potential self-storage and assess the response.

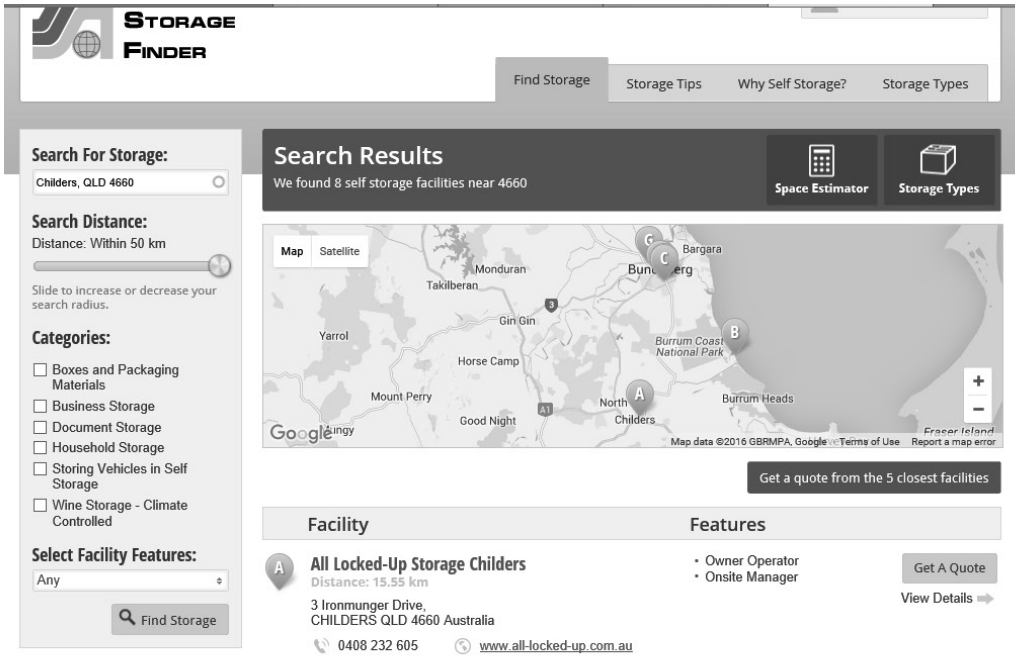
- From these same sources, research what the target market wants in this type of commercial property type. For self-storage this research would include:
    - Location, e.g. proximity to residential, industrial or commercial areas, what type of residential areas, e.g. more affluent suburbs, what proximity to competitors, e.g. too close is not good.
    - Position, e.g. main road thoroughfare, visible road frontage, corner block for easy side street access for larger trucks etc.
    - Storage style, e.g. self-service access versus limited access, 24 hour access versus business hours, ground level access versus multi storey, secure document storage, controlled temperature storage, e.g. for wine collections and documents, hard stand storage for cars, boats, jet-skis etc.
    - Size of storage, e.g. shipping container, garage size down to locker size, cubic meter size increments.
    - Security provided, e.g. camera surveillance, key pad access etc.
    - Additional services offered, e.g. document disposal, vehicle cleaning, sourcing and shipping goods etc.
    - Specific features, e.g. ease of parking.
    - Storage rates for each storage style offered, discount for longer duration storage.

Step 6 – Mapping and Profiling the Existing Market

Map Existing Commercial Properties / Precincts

- For each of the three target locations, map the existing market for your chosen commercial property type, e.g. map the existing industrial precincts, retail shopping buildings, or map existing storage shed facilities within say 50km – websites like **www.selfstorage.com.au/my-storage-finder** can be useful in this research.

- Add to the map any infrastructure of importance to the target market, e.g. for storage sheds, main road access for high visibility and ease of access, proximity to affluent residential areas etc. For retail properties, proximity to other retail areas is important as is exposure and easy access, e.g. close to transport, parking etc.



Researched self-storage facilities within 50km of target location.

Profile Existing Market

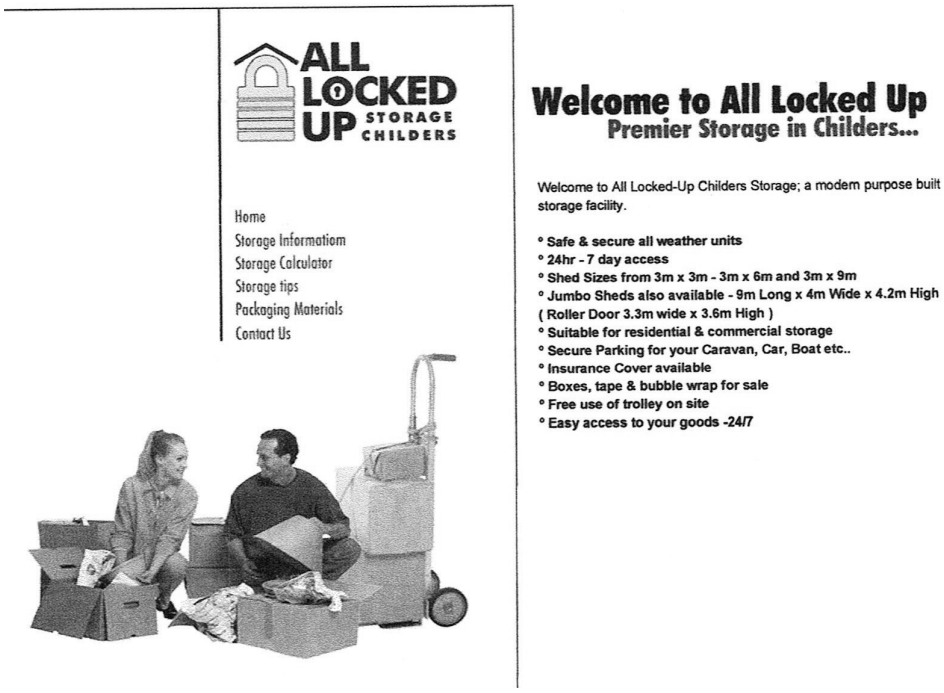
- Profile the existing market for your chosen commercial type from the information sources contacted in Step 5, e.g. for self storage:
  - What is the trend for each area – e.g. is it a business district that's becoming more popular? Is it static? Is it dying? Does it have potential to die in the future? Where business is trending greatly affects yields and ultimately, values of commercial properties and should not be underestimated.
  - What is the average duration a property remains vacant for between tenancies – e.g. "How long will it take me to get another tenant?"
  - Is it beneficial for this type of property/business to be located near its competitors, e.g. car sales strips where multiple dealers congregate to create a destination for customers and each business feeds off the next, or home improvement centres where a diversity of retail outlets come together to create a focal destination for customers.
  - Is the type of property/business sensitive to proximity of competitors, e.g. too many storage sheds in close proximity where the catchment area isn't large enough, leads to vacancies, low yields and low property values.
  - What is the capitalisation rate for the area?

Profile Existing Properties/Businesses

- Contact the existing properties/businesses mapped above and research as much as possible their business, as it is vital to understand who your competitions are, what the strengths and weaknesses of their business are, and what factors make a successful business.
- For example for each of the mapped storage shed facilities, enquire:
    - What do they provide, what facilities do they offer for rent?
    - Who do they service / clientele – demographics and income?
    - What is their catchment area?
    - What volume of traffic passes the facility?
    - What are their rental rates?
    - What is their occupancy?
    - Do they have waiting lists and for what?
    - Do they have capacity to expand?
    - Who manages the facility and how long have they been in business?
    - Do they plan to retire or sell any time soon?



One of two self-storage facilities in the town.



Researched each of the storage shed complexes within 50km of the target to understand what they provided, who they serviced, their occupancy etc.

Profile For Sale Properties / Businesses in Target Area and Beyond

- Research existing operators in your chosen property type whose property is for sale, in order to better understand the industry. Properties/businesses outside your target locations are very useful for this research.
- If a freehold business is for sale and you present as a potential purchaser, a greater amount of information is likely to be disclosed to you on request. For example, for storage shed operations for sale, you would request:
    - Income, rental rates and seasonality
    - Running and holding costs
    - Cash flow details
    - Occupancy rates
    - Client profile
    - Management information
    - Compliance – council, government, building code etc.
    - Insurances
    - Industry associations
    - Marketing strategy, e.g. internet, newspaper, fliers, yellow pages etc.
    - Advertisements, photos, advertising copy, direct marketing, mass marketing etc.

- Visit existing self-storage providers to better understand the industry.
- Develop a profile of what makes a good storage shed business. What are the typical operating costs, the income range, the factors that affect these parameters, and therefore the industry standards, from which you can then compare your property/s of interest.

Gap Analysis

- If considering establishing a commercial property from scratch, e.g. storage shed facility, conduct gap analysis.
- Having mapped the location of all existing facilities, and knowing the demographics of the areas they service, and knowing what characteristics are essential to the success of this type of property and business, then identify on the map potential gaps that are not yet serviced by a storage facility.
- Research the main feeder roads into that area, and the area demographics to highlight if the area has potential.
- Conduct further research and due diligence on potential gaps, as per this Module and Module 10 – Development Approvals.

Step 7 – Deal Finding

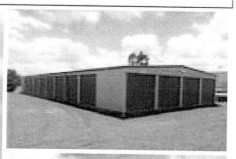
- Use the various tools for finding properties on the market for sale and also properties off-market:
    - Commercial property websites, e.g. realcommercial.com.au; commercialrealestate.com.au,
    - Business for sale website (as often freehold property is sold with the business), e.g. businessforsale.com.au , Investar, Domain, For Sale by Owner sites etc.
    - General websites advertising property, e.g. Gumtree, Trading Post etc.
    - Commercial real estate agents, residential real estate agents, and buyer's agents.
    - Specialist agencies and brokers, e.g. tourismbrokers.com.au, resortbrokers.com.au
    - Business and property managers that may know owners interested in selling
    - Talking to locals
    - Letterbox drops
    - Door knocking

- Use search terms to identify potential properties on the internet and in talking to real estate agents and locals, e.g. industrial, storage sheds, retail etc.
- Use resources like Investar and RP Data to find potential properties not currently on the market

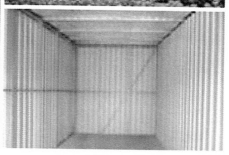
first national REAL ESTATE | Childers

FOR SALE | | $520,000









PROPERTY ID: 2309989

Property: building | **Land Size:** 2169 m^2 | **Council Rates:** -

Auction: - | **Building Size:** - | **Water Rates:** -

PROPERTY FEATURES

Fully Fenced

INSPECTION TIMES

STORAGE SHEDS (CHILDERS SELF STORAGE)

* 45 Storage Shed complex (3 only 6m x 4m) (30 only 6m x 3m) and (12 only 3m x 3m)
* 720m2 floor area, 2 only 30m x 12m Colorbond Sheds
* 2169m2 of land (2 titles) fully security fenced with 24hour electronic access
* Situated in visible location on the edge of town
* Showing excellent returns

Tender Date - N/A







Storage shed business and freehold property for sale in the target location - comprising 2 buildings of 45 sheds of mixed size from 6m x 4m to 3m x 3m, with 80% occupancy at sale. Security fenced with 24 hour electronic access. For sale by local real estate agent and leasing of sheds managed by same agent.

Step 8 – Property Due Diligence – Part 1 - General

- Undertake detailed due diligence on the individual properties of interest. This includes due diligence on the underlying property, e.g. the land, physical improvements, and existing lease/s if in place. For business real property where it's not only the property but the business that's being sold, research is also required on the business itself, e.g. storage shed business, caravan park business etc.
- Commercial brokers are invaluable when doing research, as a good broker will have their finger on the pulse regarding what's happening in the area and what is a good deal.
- Talk to other agents in the area that are not selling the property - explain to them what you are planning to do and spend on the property and get their feedback in terms of capacity to tenant once the works are done – you need the confidence that you will get a tenant before you are locked into the deal.
- An ideal commercial deal would have 1) a manufactured growth component, 2) good natural growth potential due to location (rental rate increases and CPI increases over time in lease) and 3) plus cash flow.



Researched sales values in the surrounding area.

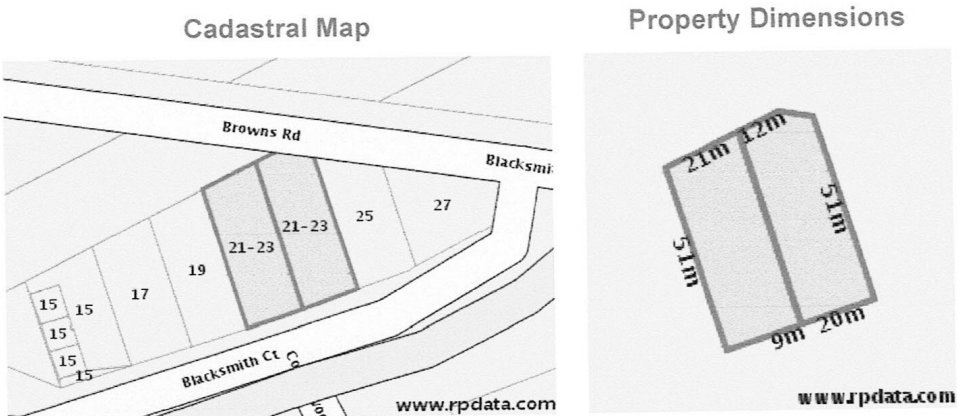
Step 9 – Property Due Diligence – Part 2 – Underlying Property

- The value of a commercial property is determined by the income that it produces. What's important is: 1) the yield, 2) the strength and length of the lease, and 3) the strength of the tenant.
- Due diligence on the underlying property needs to cover the land, and the physical improvements.

A) Land Tenure:

- Land tenure – freehold versus leasehold. Typically, freehold property is more valuable than leasehold. When considering leasehold property, the important questions are:

- Who are you leasing from – Local, State or Federal Government, mining company, indigenous land?
- What is the likelihood of the owners resuming the land and/or building?
- What is the length of the lease?
- What is the likelihood of being able to extend the lease? What is the process, the timeframe and likely costs?
- Is it possible to convert the leasehold to freehold, and if so what are the likely costs?
- What is the market's perception of leasehold – e.g. in the ACT all property is leasehold and there is no opportunity to buy freehold – so it is well accepted there.



Property comprised two freehold lots with site improvements.

B) Location Risk

- Research the location characteristics and the risk of that location no longer being relevant for that usage. For example, the potential for the town centre to move, or medical precinct to move, or the industrial centre to move - leaving the current location out of demand for the usage, no longer relevant over the long term, or for the period you intend to own it.
- An example may be if the town centre moves owing to the opening of a new shopping complex. The strip shopping area or mall where the property is located becomes less visited, and hence, a less desirable location to operate a business. This impacts on the capacity to attract a quality tenant, the property's cash flow and in turn, capital value.
- New competition in the market can also be a risk to the older location, for example a brand new commercial building, or new industrial estate can result in the existing areas becoming less desired, which impacts on the tenant's business and ultimately, yours.

- Small retail tenants like suburban shops can also suffer at the hands of the supermarkets and megastores – so you need to research and understand the potential for competition.
- The risk of losing the anchor tenant in a complex also needs to be considered as it will likely adversely affect the adjoining properties, e.g. Bunnings leaving the Bunnings complex to set-up at a new site.
- Changing traffic flow can also be very impactful, both positively and negatively. For example, suburban retail areas and tourist accommodation can suffer from the opening up of a new motorway that redirects traffic away from them, hence, reducing their exposure. Conversely, other properties are advantaged by traffic moving away from them, as access and parking can become much easier, e.g. offices.

C) Property Factors and Appeal to Tenants

- Property factors impact on the appeal of a property from the tenant's perspective, e.g. the property's condition, management, location, ease of access, capacity to leave the site in a forward motion, through to parking all affect tenantability.
- Certain usages also have certain requirements, e.g. with industrial buildings, important factors include stud height, door heights, transport access and visibility, and generally the bigger the better – hence, bigger access, more height, more car parking spaces, larger open spaces. Internally, it is more desirable where temporary dividers can be installed.

D) Rental Rate

- Research the per square metre rental rate and if it varies with permissible use of the property, e.g. a café in a commercial area may rent at a lower per square metre rate than the adjoining industrial building next door – despite both being the same square meterage size.
- Understand that the high cost of building in the CBD's is not significantly reflected in the rental return.

E) Capacity to Utilise Property for Multiple Uses

- Research the capacity to utilise the property for multiple uses, e.g. industrial shed that can become a storage shed, a mechanics workshop, a distribution point, indoor sports centre, in comparison to a retail shop or café where the fit-out limits its future usage.
- Industry specific specialist properties can be a positive and negative. If there is demand for that type of property, the tenant is likely to stay for a longer period. If tenant vacates though, you are left with fewer options. On the flip side, some

commercial properties are very costly to configure, for example, dental surgeries where the specialist plumbing, drainage and electrical wiring can be very expensive to install and hence, a renovating and remodeling of older run-down surgeries with the infrastructure already in place and with existing permissible usage rights in place can be very profitable.

- With special purpose commercial properties, it's advantageous to have a back-up plan to be able to change the usage of the property to a more mainstream property if the need arises, e.g. turn caravan parks into retirement villages or vice versa.

F) Industry Specific Improvements

- Industry specific improvements can be a positive or a negative depending on whether the improvement is in demand by tenants, or whether it limits the potential tenant pool.
- For example, adding a mezzanine floor, or offices to the front of an industrial building may add value and may be adaptable to a wide variety of tenants. Alternatively, adding a car hoist to a mechanics workshop may limit the use of the space if the mechanic vacates. Conversely, specialist improvements like hoists, built in shelving, tracks, loading ramps etc. may be worthwhile and may be a benefit to the tenant, and their installation may lead to longevity of leases.

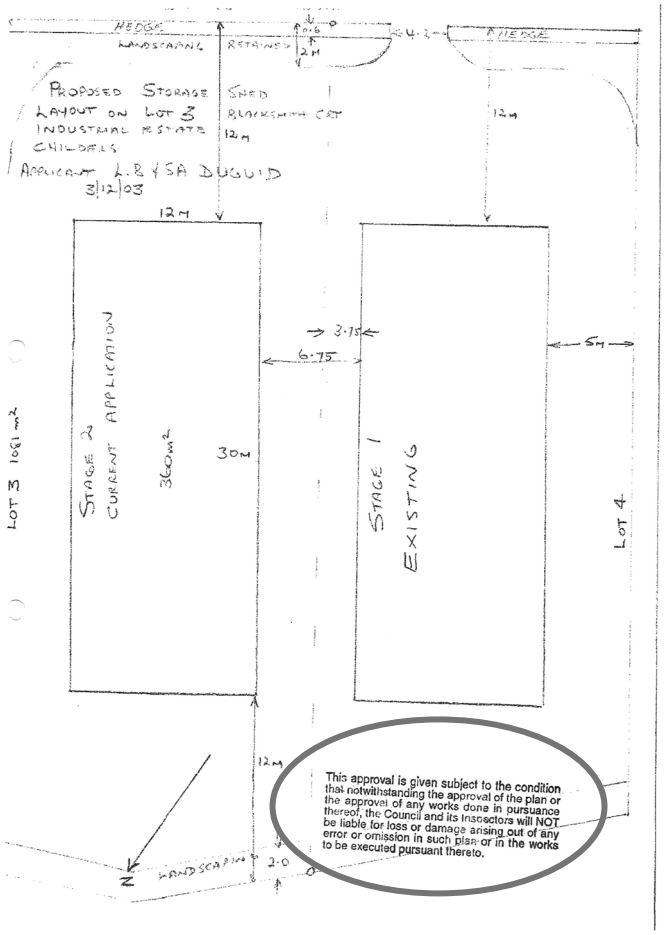
G) Size of Premises & Affordability

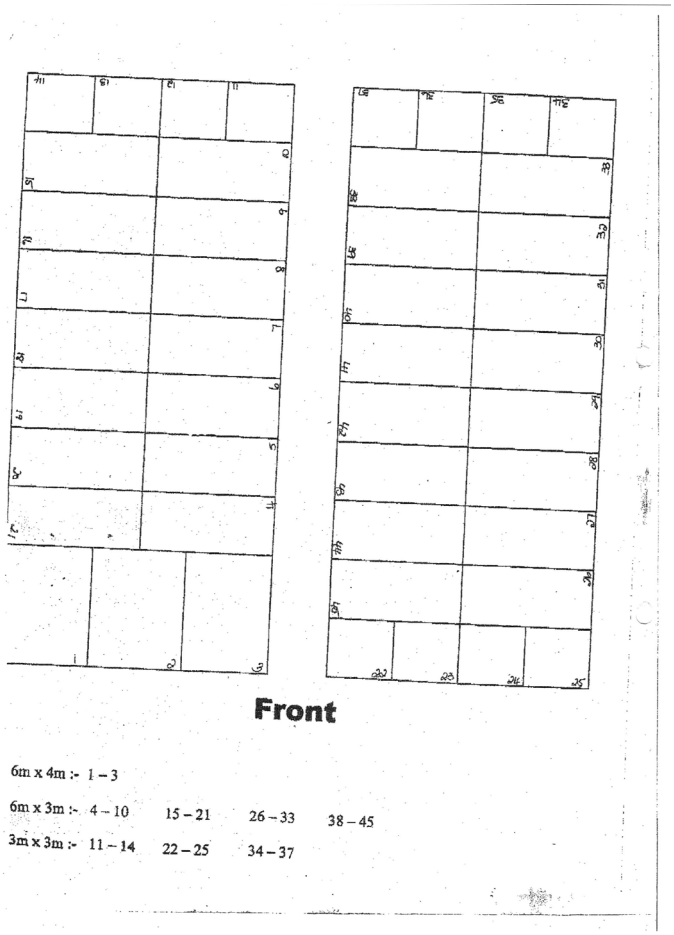
- Assess the size of the premises and its affordability for tenants to rent, e.g. if the premises is too large, the pool of tenants that can afford to rent it is reduced. Smaller self-contained office suites are easier to lease than whole floors. Large 'box' retail spaces are harder to rent than smaller more affordable spaces.
- Confirm a need for the size and the type of the property, e.g. office space in suburban and regional areas may be less in demand.
- Confirm that there is a demand for the type of property, e.g. demand for storage, demand for caravan park style affordable accommodation.

H) Usage Rights Approved by Council

- Research to ensure that the existing usage of the property is council approved and compliant, e.g. is the property approved for medical usage, or for food preparation as a restaurant or café, because not every commercial property can undertake all usages.
- Council will also have a raft of town planning and usage requirements that need to be adhered to including zoning, land size, site cover, setbacks, car parking, driveway access etc. Consult with a town planner to reveal this information.

- Confirm with council if complaints have been received about the property or if council has issued show cause notice/s.





I) Building Compliance and Approval

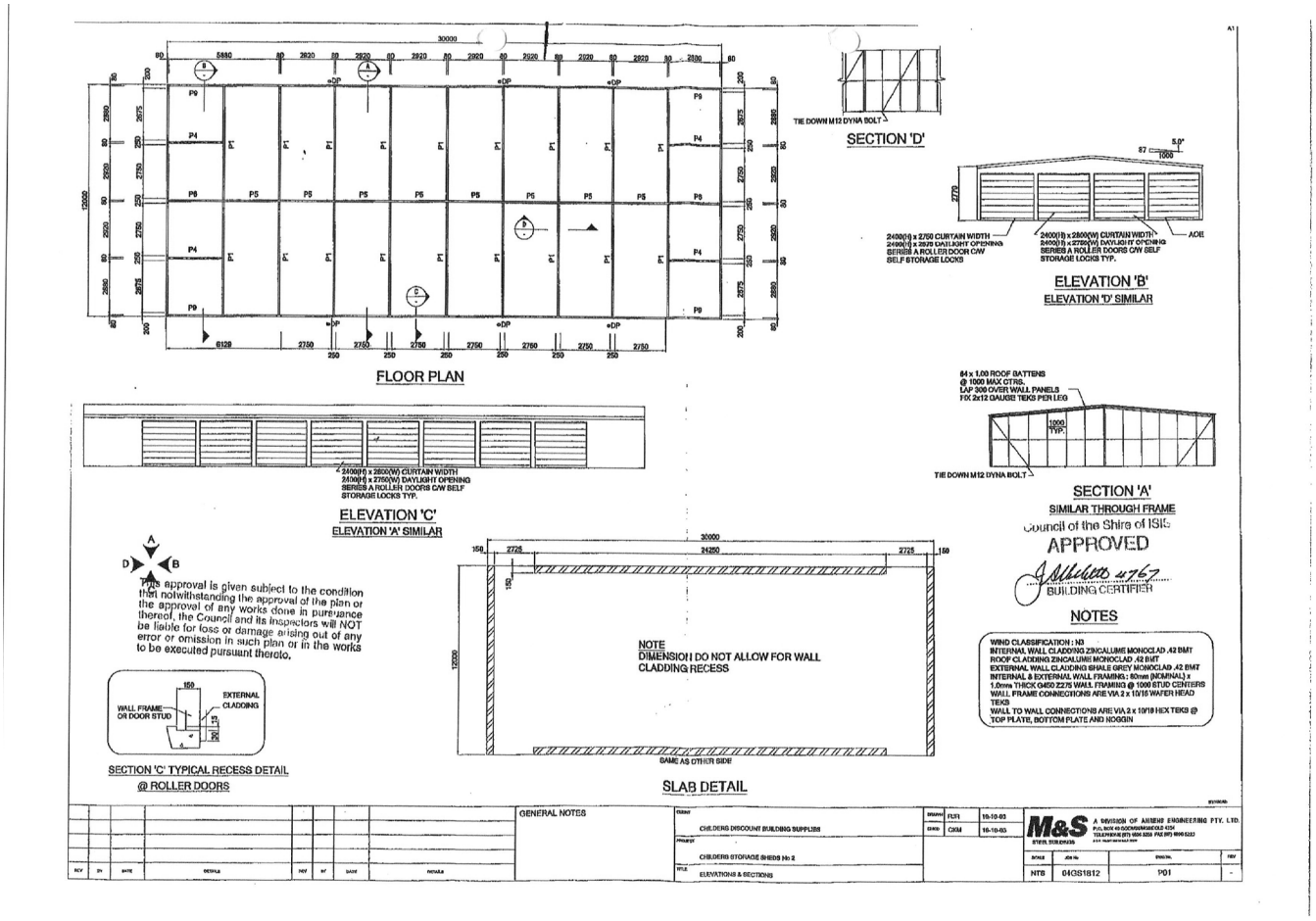
- Confirm that all built structures onsite are council approved and comply with the Building Code of Australia. A builder certifier will be able to assist with this.
- Assess if any works are required to ensure compliance with the Building Code of Australia, e.g. glass type, balustrade, stairs etc.

J) Equitable Access Compliance

- The Federal Government's Disability (Access to Premises Building) Standards 2010 aims to provide people with disability with equitable and dignified access to public buildings and provide certainty to industry that they are complying with the *Disability Discrimination Act 1992 (DDA)*.
- Confirm if the property complies with the standard, is exempt from the standard, or if works are required to achieve compliance.

K) Condition of Existing Property

- Assess the condition, aesthetic appeal and structural integrity of the property, e.g. termite damage, dry rot, concrete cancer, rising damp, asbestos, cracking walls and foundation, sub-standard electrical and plumbing works, etc.
- Research general repairs, maintenance and renovation works required to the property.



Building certifier approved construction drawings.

L) Property Management

- Will the property be self-managed or professionally managed? Generally the tenant will maintain the property because it's in their best interest to do so for the running of their business. You, the landlord, typically, are responsible for exterior maintenance, but this can be outsourced and then on-charged to the tenant.

M) Site Specific Constraints

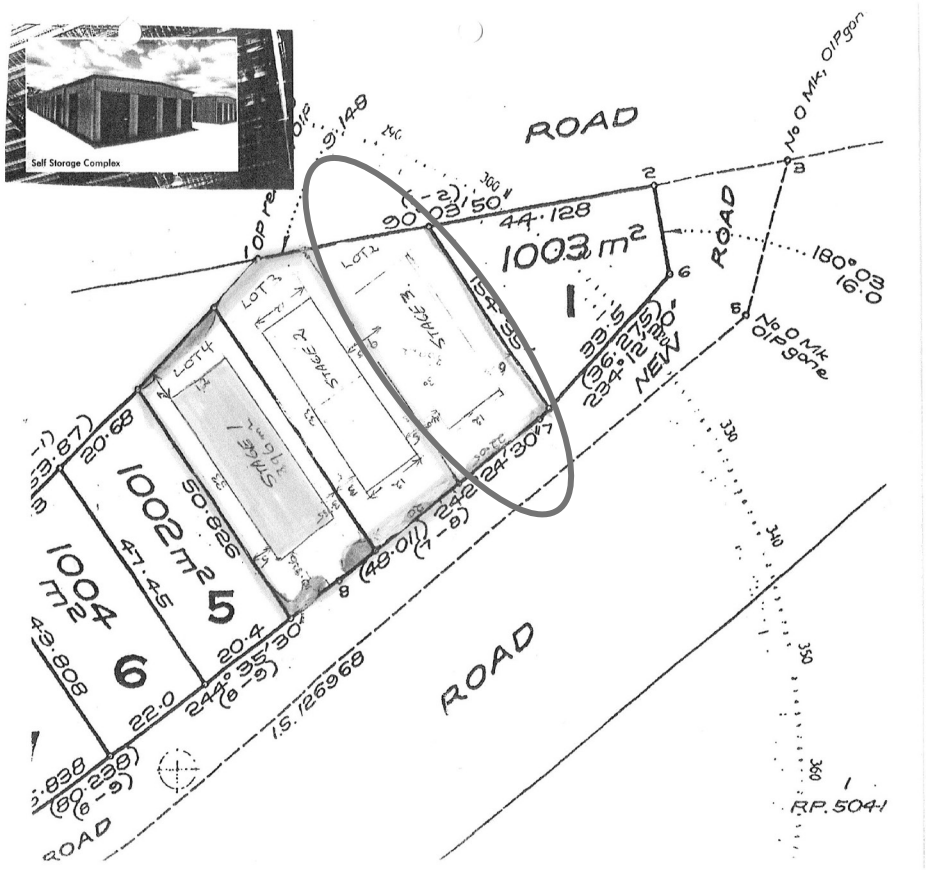
- [ ] Research site-specific constraints that may affect the property now and in the future, including:
    - Flooding
    - Waterways in close proximity
    - Overland flow
    - Bushfire prone area in close proximity
    - Cultural heritage
    - Demolition control
    - Significant trees
    - Soil type – swelling and cracking clays
    - Contaminated site
    - Easements – sewer, power, access ways
    - Encroachments – survey site
    - Covenants
    - Caveat or other encumbrances
    - Notation on registered survey plan
    - Neighbour disputes
    - Council show cause notices
    - Heritage listed buildings
    - Above ground infrastructure at the front of the property that may affect future development potential – power poles, road signs, general signage, bus stops, traffic lights, roundabouts, fire hydrants, public mail boxes, car parks, parking meters, substations
    - Underground infrastructure – man holes, disused septic tanks, buried water tanks, Telstra pits
    - Shared services between neighbouring properties – e.g. combined sewer drain
    - Adjoining properties and structures next to the boundary – zero lot alignment, windows, doors, balconies, verandas, private open space location, heights above two storey, usage, e.g. higher density units/apartments/commercial etc.
    - Road hierarchy – class of the road, street and who manages it, visibility, access restrictions, capacity for bins out front, current plans and future

plans re resumption, planned changes re traffic flow, intensity of traffic, on-street parking, changes to surrounding streets that may impact on yours

- Noise pollution – road, flight path, industry, birds and bats etc.
- Air pollution – road, industry
- Subsidence – underground mining and earthworks
- Cyclone rating requirements for new build
- Body corporate review if a body corporate exists
- Earthquake, tsunami, sea level rise
- Crime rate
- Note that some of the site-specific constraints may not be fully researched until later in your due diligence, once you know there is potential in the deal and that you want to put a contract on it. At that point, while the contract is in the conditional phase, may be the time that you do more thorough research on some of these less obvious constraints.

N) Property's Potential for Further Development:

- ✓ Capacity to add additional buildings
- ✓ Capacity to add further fitting/fixtures
- ✓ Capacity to divide existing property into multiple lettable spaces
- ✓ Capacity to strata title
- ✓ Existence of vacant land to further develop, e.g. subdivide
- ✓ Capacity to increase density in the future by partially or completely demolishing existing infrastructure



Potential for expansion and Stage 3 of storage shed complex on adjoining block next door. Would have to purchase separately – currently a rental house.

Step 10 – Property Due Diligence – Part 3 – Tenant's Business

- Conduct due diligence on the tenant/s currently leasing the property including the lease terms, quality of the tenant's business, and tenant's competitors, because the value of the commercial property is greatly influenced by these factors.

A) Existing Lease Terms and Considerations

Review existing lease terms and have these confirmed by a property lawyer. When taking over a lease, you need to know exactly what both parties are obliged to do, because once signed, its legally binding. Things to be reviewed include:

- Is the lease the original or a copy – ensure that you see the original lease document, because a copy may have been altered and you will be bound by the original.
- Legal capacity - confirm that all parties have legal capacity to enter into the lease and that they voluntarily consent.

- Signatures – ensure that every page of the lease is signed by both the landlord and the tenant.
- Commencement date – check if there are any conditions that may affect the commencement date or delivery of possession of leased premises on or before a specific date.
- Conditions of the lease – check if there are any conditions or obstructions to effectiveness of the lease, e.g. obtaining zoning variance for tenant's intended business use, or the ability to obtain business or other licences required for operation of the tenant's business.
- Rent – confirm if the rent stated is net or gross, the amount payable, the due date, method of how rent is calculated in multi-tenanted properties, e.g. per square metre.
- Rent review – what is the frequency of rent reviews – typically every 3 years, because that is the opportunity to increase the yield and the value of the property. Does the rent review coincide with the lease renewal - it's best if they don't, that way the tenant can't say that if we don't agree on the rent I won't renew the lease. Is the rent review linked to the Consumer Price Index (CPI)? The benefit for both parties is that this gives some degree of certainty and can save on disagreements at rent review time. However, it may disadvantage the landlord, as the CPI may not necessarily reflect commercial rent jumps in the area.
- Rent review date – check deadline dates for rent reviews and what steps, if any, each party must take to indicate satisfaction of conditions (e.g. written notice).
- Chattels – who owns the chattels and are they comprehensively listed. This information is essential for calculating the depreciation and maintenance costs. The higher the value of the chattels making up the property purchase price, the larger the potential depreciation and tax saving.
- Security deposit – are tenants in a multi-tenanted property required to pay this and if so how much and by when?
- Rights of renewal – a right of renewal (ROR) gives the tenant the right to remain in the property until the end of the renewed term if they want to, and the landlord cannot evict them, e.g. initial lease of 5 years, with 3 rights of renewal of 5 years each, written as 5 x 5 x 5 x 5. Note that the original 5 years is the only certainty in the lease term and the portion that the funding bank will acknowledge and the other 15 years are seen as renewal options. Hence, the bank may want significant principal reductions over this 5 year period, not the 20 years when you take into account the renewals. A rule of thumb when negotiating a lease with ROR, is if the tenant agrees to a 5 year term, be prepared to give a 5 year ROR but no more. Beyond that timeframe, the tenant can renegotiate with you at that time.

- Outgoings – quantify – what are the outgoings (expenses associated with the property)? Who pays for them? What percentage is payable by the tenant and the landlord? If you have multiple tenancies, is the percentage apportioned in accordance with floor space? E.g. 15% to one, 20% to another and ensure the figures total 100% (or more) to avoid being left with a shortfall payable by the landlord, as this will affect the net rental income stream. Local council rates are typically part of the outgoings paid by the tenant/s. The rates notices are sent to the landlord though, who passes them on to the tenant/s for payment – so ensure you get evidence that they have been paid, because the onus to pay falls back onto the landlord and you don't want overdue rates and penalty payments. In strata titled properties like office buildings, review body corporate strata management costs, including on going management costs and services costs, e.g. lifts, water systems, air conditioning systems, fire alarm systems etc.
- Reinstatement – meaning that the tenant, on vacating, must return the building to original condition, taking into account, the normal wear and tear on the property.
- Ratchet clause – less common are 'full ratchet clauses' where the tenants are locked into paying higher rentals regardless of whether the market has in fact dropped. 'Soft ratchet clauses' are more common and ensure that the rent will never go below the starting point. The rent can increase and decrease over the term of the lease, but even if the market rental decreases significantly, there is still a bottom figure. Banks are obviously in favour of ratchet clauses because they know you are guaranteed at least the starting figure.
- Insurance on the building – who pays this? Typically the tenant is responsible for this, but that can be dangerous because if the tenant is not conscientious and lets the insurance fall behind, then the building is not insured for incidents. Confirm if there are any special requirements for insurance? Who is obliged to repair or rebuild in the event of whole or partial destruction?
- Subleasing – The lease should stipulate if landlord consent is required for any assignment of the lease or subletting the property.
- Usage rights – is the tenant's use of the premises limited to a specific business? Does the tenant have the right to change its use during the term of the lease, either with or without the landlord's approval?
- Usage restrictions – are there specific restrictions on the tenant's use of the property, e.g. prohibitions against nuisance, waste, unlawful purposes, storage of hazardous products etc.
- Body corporate bylaws – confirm what rules and restrictions govern the tenant and landlord.

- Non-competitive clause – confirm if this applies, meaning that no other tenants in the same business may tenant the same building.
- Alternations and improvements clause – confirm if the tenant is permitted to make alterations or improvements to the leased space without the landlord's permission.
- Maintenance and repairs – confirm who is responsible for maintenance and repair of the premises.
- Effect of failure to meet lease conditions – review the effect of failing to meet conditions – is it automatic lease cancellation, cancellation by written notice, or waiver of condition, or option of the party intended to benefit from the condition, having the right to extend the deadline or cancel the lease.
- Covenants – confirm if there are covenants on the property that restrict what the tenants can do, e.g. restrict placement of outdoor furniture on a food outlet, or limitations on signage size, placement, location, or control over telecommunication/radio tower emissions.
- Deferred payments or rehabilitation on cessation of the lease - e.g. rehabilitation of chemical manufactures, dry cleaning industries, petrol stations.
- Termination rights – understand if the occurrence of any event, other than tenant's default, gives either party the right to terminate the lease before its natural expiration, e.g. landlord's sale of the property, tenant's loss of legal right to operate its particular business, total or permanent destruction of the premises, if the premises is condemned. In these circumstances is the lease fully or partially terminated, or will rent be reduced pro rata or on some other basis?
- Purchase rights or first right of refusal – confirm if the tenant has the option to purchase or right of first refusal to purchase.

B) Quality of Tenant's Business

- Review the quality of the tenant's business and if it's in a growth industry. Research the existing tenants, their lease, and the nature of their business, plus the risk profile of the tenant. The more successful the tenant's business, the more secure will be your income stream. If the tenant's business is making a loss, they are unlikely to be able to afford to pay the rent. The profitability of their business will also impact on their longevity in the business. For example, medical practitioners rarely go bankrupt and thus unable to pay the rent, plus they are typically very long term tenants.
- Analyse the tenant's competition by doing a SWOT analysis on their business. Assess their strengths, weaknesses, opportunities and threats.
- Assess external factors that could impact on your tenant's business, for example, market cycles, government policy changes, e.g. government international student

policy and education/training organisations (they were severely impacted when the government started restricting student intake). Also technology changes, e.g. video stores are almost obsolete, and music stores are dwindling too. Retail stores having to compete with online purchasing will also be affected. With the expansion of technology, many organisations are downsizing physically and are relocating away from the CBD, hence, office space requirements have been downgrading over time, and with computers, the need for paper form storage which is bulky and space consuming has reduced. Also, many more people are working from home nowadays.

Step 11 – Property Due Diligence – Part 4 – Business Worth – Business Real Property

When buying a business real property, in addition to the underlying freehold property, there is also a business component being sold, and detailed due diligence on the worthiness of the business is required and includes researching:

- Financial statements – balance sheets and profit and loss statements, preferably audited, for at least the past 3 years.
- Income tax returns and assessments for the same three year period, including reconciliation of taxable income and profits for each year.
- Detailed expenses – e.g. for a storage shed facility, these may include cleaning, mowing and garden, advertising, repairs and maintenance, management, rates and water, electricity, gas, insurances, property management, pest control, carpet cleaning, stationery, body corporate fees, land tax, smoke alarm inspections, council compliance inspections, security/surveillance, internet, phones, bookkeeping, accounting.
- Detailed income – e.g. for a storage shed facility, these may include rental rates for the different types of storage on offer, e.g. hardstand, different shed sizes, document storage, additional services offered, e.g. sale of boxes, packing materials, padlocks, trailer hire etc. The method of payment - cash, credit card, funds transfer etc.
- Current value of assets including the freehold.
- Details of any liabilities not included in the last balance sheet, e.g. long service leave, superannuation payments
- Financial statements since last year-end – if not available, alternative financial data to allow analysis of trend of operations.
- Assess the current and future condition of the existing stock, premises, equipment and employees.
- Availability of raw materials or products if required by the business.

- Tenure of leased premises and prospect of renewal and terms.
- Condition of the building and likelihood of maintenance or replacement in the future.
- Likelihood of the existing employees staying on under new ownership and ease/difficulty of replacement.
- If business is being sold for up to $200k (excluding price paid for stock at value and land if being sold with the business) a Vendor's Statement for the sale of a small business must be provided
- Goodwill of the business – intangible factors that create the earning power of a business – influencing factors include the lease on the premises, potential of the business, competition from other businesses, the business names, special skills of the staff.
- Client profile – demographics of clients, how far they travel to store, what's stored etc.
- Current and historical management – see detailed list below
- Occupancy rate and variability/seasonality
- Inventory list of furnishing, fittings, equipment etc.
- Rules and method of enforcement
- Copy of rental agreements, rules, fire and emergency response plans etc., and method of enforcement of each.

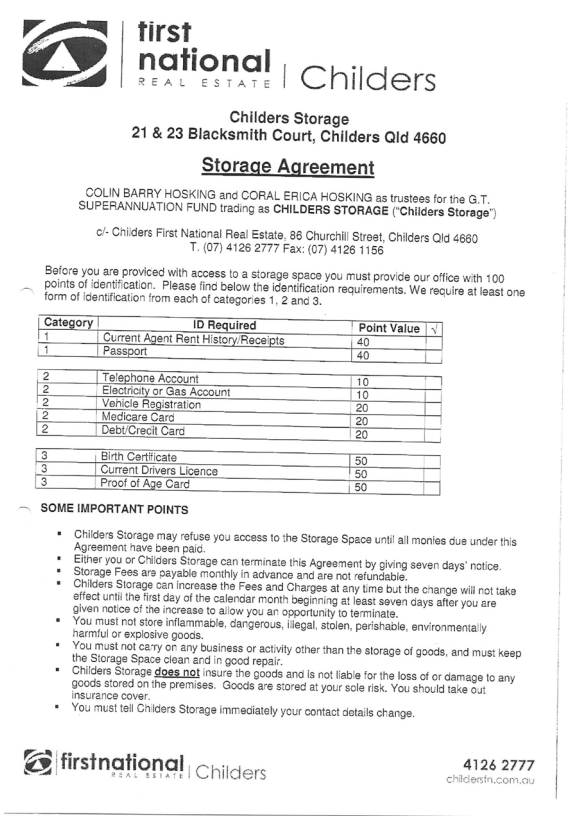
Other Considerations

- Don't allow emotion to cloud your judgement and give equal consideration to potential problems with the business.
- Don't assume a problem business can be turned around overnight – it takes time, money, energy, focus and commitment.
- Beware of changing things too quickly – some customers may not like the changes and may respond negatively.
- Don't assume major customers will remain after the purchase.
- Don't use all your available cash for the purchase – leave some reserves for working capital and contingencies.

Management Due Diligence

- Complete due diligence on the management, intending to stay on after the sale, e.g. for a storage shed business it might be dedicated onsite management, or offsite by the local real estate agent:

- Who manages the property and what are their roles and responsibilities re bookings, advertising, entry and exit inspections, complaints management, cleaning, income collection, periodic inspections, compliance inspections and reporting etc.?
- How long have they been the property manager?
- Fees and charges and when last increased
- Record keeping and capacity to provide records, e.g. rental ledger, rental statements, entry and exit condition inspection reports, maintenance works completed, insurance claims, complaints register etc.
- Structure of management, e.g. who manages and historic turnover of property managers
- Current management company vacancy rate versus average for area
- Current management company advertising for rent period versus average for area
- Availability of tradespeople and supplies for maintenance



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Childers Storage
21 & 23 Blacksmith Court, Childers Qld 4660

Storage Agreement

COLIN BARRY HOSKING and CORAL ERICA HOSKING as trustees for the G.T. SUPERANNUATION FUND trading as **CHILDERS STORAGE** ("**Childers Storage**")

c/- Childers First National Real Estate, 86 Churchill Street, Childers Qld 4660
T. (07) 4126 2777 Fax: (07) 4126 1156

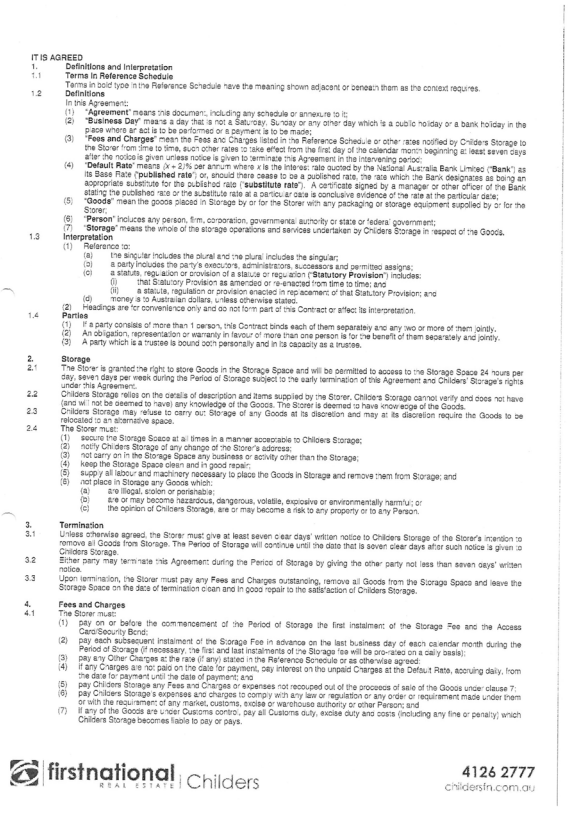
Before you are provided with access to a storage space you must provide our office with 100 points of identification. Please find below the identification requirements. We require at least one form of identification from each of categories 1, 2 and 3.

Category	ID Required	Point Value	√
1	Current Agent Rent History/Receipts	40	
1	Passport	40	
2	Telephone Account	10	
2	Electricity or Gas Account	10	
2	Vehicle Registration	20	
2	Medicare Card	20	
2	Debt/Credit Card	20	
3	Birth Certificate	50	
3	Current Drivers Licence	50	
3	Proof of Age Card	50	

SOME IMPORTANT POINTS

- Childers Storage may refuse you access to the Storage Space until all monies due under this Agreement have been paid.
- Either you or Childers Storage can terminate this Agreement by giving seven days' notice.
- Storage Fees are payable monthly in advance and are not refundable.
- Childers Storage can increase the Fees and Charges at any time but the change will not take effect until the first day of the calendar month beginning at least seven days after you are given notice of the increase to allow you an opportunity to terminate.
- You must not store inflammable, dangerous, illegal, stolen, perishable, environmentally harmful or explosive goods.
- You must not carry on any business or activity other than the storage of goods, and must keep the Storage Space clean and in good repair.
- Childers Storage **does not** insure the goods and is not liable for the loss of or damage to any goods stored on the premises. Goods are stored at your sole risk. You should take out insurance cover.
- You must tell Childers Storage immediately your contact details change.

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IT IS AGREED

1. **Definitions and Interpretation**
1.1 **Terms in Reference Schedule**
Terms in bold type in the Reference Schedule have the meaning shown adjacent or beneath them as the context requires.
1.2 **Definitions**
In this Agreement:
(1) "**Agreement**" means this document, including any schedule or annexure to it;
(2) "**Business Day**" means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;
(3) "**Fees and Charges**" mean the Fees and Charges listed in the Reference Schedule or other rates notified by Childers Storage to the Storer from time to time, such other rates to take effect from the first day of the calendar month beginning at least seven days after the notice is given unless notice is given to terminate this Agreement in the intervening period;
(4) "**Default Rate**" means (x + 2)% per annum where x is the interest rate quoted by the National Australia Bank Limited ("**Bank**") as its Base Rate ("**published rate**") or, should there cease to be a published rate, the rate which the Bank designates as being an appropriate substitute for the published rate ("**substitute rate**"). A certificate signed by a manager or other officer of the Bank stating the published rate or the substitute rate at a particular date is conclusive evidence of the rate at the particular date;
(5) "**Goods**" mean the goods placed in Storage by or for the Storer with any packaging or storage equipment supplied by or for the Storer;
(6) "**Person**" includes any person, firm, corporation, governmental authority or state or federal government;
(7) "**Storage**" means the whole of the storage operations and services undertaken by Childers Storage in respect of the Goods.
1.3 **Interpretation**
(1) Reference to:
(a) the singular includes the plural and the plural includes the singular;
(b) a party includes the party's executors, administrators, successors and permitted assigns;
(c) a statute, regulation or provision of a statute or regulation ("**Statutory Provision**") includes:
(i) that Statutory Provision as amended or re-enacted from time to time; and
(ii) a statute, regulation or provision enacted in replacement of that Statutory Provision; and
(d) money is to Australian dollars, unless otherwise stated.
(2) Headings are for convenience only and do not form part of this Contract or affect its interpretation.
1.4 **Parties**
(1) If a party consists of more than 1 person, this Contract binds each of them separately and any two or more of them jointly.
(2) An obligation, representation or warranty in favour of more than one person is for the benefit of them separately and jointly.
(3) A party which is a trustee is bound both personally and in its capacity as a trustee.

2. **Storage**
2.1 The Storer is granted the right to store Goods in the Storage Space and will be permitted to access to the Storage Space 24 hours per day, seven days per week during the Period of Storage subject to the early termination of this Agreement and Childers' Storage's rights under this Agreement.
2.2 Childers Storage relies on the details of description and items supplied by the Storer. Childers Storage cannot verify and does not have (and will not be deemed to have) any knowledge of the Goods. The Storer is deemed to have knowledge of the Goods.
2.3 Childers Storage may refuse to carry out Storage of any Goods at its discretion and may at its discretion require the Goods to be relocated to an alternative space.
2.4 The Storer must:
(1) secure the Storage Space at all times in a manner acceptable to Childers Storage;
(2) notify Childers Storage of any change of the Storer's address;
(3) not carry on in the Storage Space any business or activity other than the Storage;
(4) keep the Storage Space clean and in good repair;
(5) supply all labour and machinery necessary to place the Goods in Storage and remove them from Storage; and
(6) not place in Storage any Goods which:
(a) are illegal, stolen or perishable;
(b) are or may become hazardous, dangerous, volatile, explosive or environmentally harmful; or
(c) the opinion of Childers Storage, are or may become a risk to any property or to any Person.

3. **Termination**
3.1 Unless otherwise agreed, the Storer must give at least seven clear days' written notice to Childers Storage of the Storer's intention to remove all Goods from Storage. The Period of Storage will continue until the date that is seven clear days after such notice is given to Childers Storage.
3.2 Either party may terminate this Agreement during the Period of Storage by giving the other party not less than seven days' written notice.
3.3 Upon termination, the Storer must pay any Fees and Charges outstanding, remove all Goods from the Storage Space and leave the Storage Space on the date of termination clean and in good repair to the satisfaction of Childers Storage.

4. **Fees and Charges**
4.1 The Storer must:
(1) pay on or before the commencement of the Period of Storage the first instalment of the Storage Fee and the Access Card/Security Bond;
(2) pay each subsequent instalment of the Storage Fee in advance on the last business day of each calendar month during the Period of Storage (if necessary, the first and last instalments of the Storage Fee will be pro-rated on a daily basis);
(3) pay any Other Charges at the rate (if any) stated in the Reference Schedule or as otherwise agreed;
(4) if any Charges are not paid on the date for payment, pay interest on the unpaid Charges at the Default Rate, accruing daily, from the date for payment until the date of payment; and
(5) pay Childers Storage any Fees and Charges or expenses not recouped out of the proceeds of sale of the Goods under clause 7;
(6) pay Childers Storage's expenses and charges to comply with any law or regulation or any order or requirement made under them or with the requirement of any market, customs, excise or warehouse authority or other Person; and
(7) if any of the Goods are under Customs control, pay all Customs duty, excise duty and costs (including any fine or penalty) which Childers Storage becomes liable to pay or pays.

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Original owners self-managed the property and let it get run-down. The real estate agency took over management when the current owners first purchase it, they implementing storage agreements, and recommended painting the entry gates and installing large signage, which were done.

Step 12 – Research Opportunities

- Review capacity to increase rent and add additional lettable areas –
    - Is the rent under-market and is there the potential to increase. Increasing the rent increases the yield, and in turn increases the value of the property.
    - It is not just the storage sheds themselves that you can rent, but also the hard-stand areas surrounding, particularly for boats, jet skis, caravans, cars and the like.
- Investigate if the tenant wants improvements and if they will pay extra for them – For example, you may be able to fund the purchase of a piece of machinery for the tenant that makes them much more competitive and willing to sign a new lease or longer lease.

Step 13 – Your "A" Team

The Initial Team

- Commercial real estate agent/s, buyer's agent/s, general real estate agents
- Lawyer that specialises in commercial property and leases
- Accountant
- Business adviser/broker
- Finance broker/Moneylender
- Specialist consultants that research specific types of properties, e.g. childcare business consultants and storage shed business consultant that provide market, location, design, and management specific research and advice.
- Industry bodies, e.g. the Storage Shed Industry Association that are a wealth of information.
- Larger franchise holders, e.g. Storage King will work with purchasers to identify potential sites, coordinate design, approvals, construction and management, although you need to have at least around $1M to attract this type of partner.

The Subsequent Team

- Property manager/leasing agent
- Specialist consultant re disability compliant design if required
- Building certifier
- Building and pest inspector
- Builder

- Tradespeople including plumber, electrician
- Valuer
- Town planner
- Building designer
- Land surveyor
- Insurance broker
- Depreciation report specialist (quantity surveyor)
- Cleaner

The Individuals

- Look for individuals that specialise in commercial property and more specifically the type of commercial you are targeting
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of professional associations where relevant e.g. Building Assoc., Law Society, Institute of Quantity Surveyors etc.
- Ensure professionals are completely familiar with local and state regulations
- Ensure all professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry
- Ask what sub-consultants and contractors they use
- Ensure the individuals on your 'A' team understand your time constraints
- Check on the progress of individuals to keep them on target.

Step 14– Feasibility Analysis

Initial Rough Feasibility

- Research the costs to purchase the property
- Research the costs to hold the property
- Research the costs to undertake required conversion works, repairs, maintenance, and renovation
- Research the compliance costs

- Research the income potential for the end product
- Research the market value of the end product
- Research the demand for the end product – rental and sale
- Research the various exit strategies, e.g. increase value and sell, hold long-term, strata and sell off parts etc.
- Research and create a realistic timeline of the project, including purchase, conversion/maintenance/renovation works if required, tenanting if vacant etc.
- Complete rough feasibilities on the various options to do the deal, and the various exit strategies
- Complete due diligence on your capacity to finance the various strategies
- For those properties where your initial due diligence and rough feasibility look promising, undertake a detailed feasibility.

Detailed Feasibility

- Conduct cash flow analysis on the expected rental income, holding costs, and bank interest on 100% of costs
- Factor in a rental vacancy period to allow for tenant turnover if that's expected
- Conduct sensitivity analysis to determine the sensitivity of the cash flow to interest rate increases, rental vacancy and unforeseen maintenance costs
- There is no specific positive cash flow target, so you have to determine what profit you are prepared to accept for the money tied up, the time to complete the project, the risk, the on going management required etc.
- Prepare numerous feasibility studies with varying rental rates and renovation options to confirm the preferred strategy
- Talk to commercial agents, property managers/leasing agents and real estate agents in your area to understand the previous, current, and future market – leasing and sale
- If your feasibility studies show that your project is not financially viable, review the assumptions with your team, e.g. property manager/leasing agent, builder. If it is still not viable - DO NOT proceed
- Continually update and review your detailed feasibility as your costs are updated with each new quote, and as more information comes to light
- Assess the tax implications of your project e.g. Income Tax, Land Tax, Capital Gains Tax, GST.

Purchasing, Finance Fees and Charges, Compliance and Renovation Works

- ✓ Property purchase cost
- ✓ Due diligence costs (lawyer review of existing lease, accountant/business adviser's review of the financials and business)
- ✓ Building and pest, builder and building certifier's assessment, specialist reports
- ✓ Conveyancing and title search fees
- ✓ Stamp Duty (vary from State to State)
- ✓ Legal Fees and miscellaneous legal fees
- ✓ Company establishment fees
- ✓ Buyer's agents fee/commission – if applicable
- ✓ Council rates and local authority fees or adjustments
- ✓ Valuation or appraisal fees by the lender
- ✓ Accountancy fees
- ✓ Compliance fees
- ✓ Design works
- ✓ Renovation and repair works

Income

- ✓ Rental rate
- ✓ Additional services and products sold, e.g. packaging, locks, trailer hire etc.
- ✓ Bond claimed, e.g. security deposit bond, key bond etc.

Operating Costs

- ✓ Interest on finance
- ✓ Property management fees
- ✓ Travel
- ✓ Advertising
- ✓ Phone
- ✓ Bookkeeping and accounting
- ✓ Costs payable by the landlord as detailed in the lease, e.g.
    - Council rates
    - Insurances
    - Body corporate fees – if applicable
    - Air-conditioner maintenance

- General site maintenance and repairs
- Annual inspections/works, e.g. pest control, termite inspection, smoke alarm inspection
- Land Tax – if applicable
- Compliance costs
- Cleaning
- Rubbish removal

- ✓ Business operation costs if buying a business real commercial property.

Step 15 – Choosing Your Site

Choosing your site

- ✓ Shortlist your preferred sites in order of preference
- ✓ Enter negotiations on each as per Step 16

Ensure Ownership Structure is Setup

- ✓ Ensure the ownership structure is set-up and that it is suitable for the structure of the deal you are proposing, considering the financing, exit strategies, asset protection, tax implications
- ✓ Types of structures include:
  - Company
  - Company Discretionary Trust
  - Company Unit Trust
  - Company Hybrid Trust

Step 16 – Negotiating and Settling on the Property Purchase

Initial Stages of Acquisition

- ✓ Decide if you will negotiate the purchase or if you will use a buyer's agent
- ✓ Approach each owner and ask relevant questions and listen – don't accept the vendor's representation on face value – be cautious, even sceptical and ensure sales and figures and other important data are verified.
- ✓ Sign a confidentiality agreement for all information provided by the vendor and for the terms of the sale.

- Obtain the vendor's approval to deal directly with his or her accountant to expedite the process of the sale.
- Consider all information and determine a fair offer.

Negotiating the property purchase

- Negotiate through persuasion not aggression. Educate the other party by knowing more about it and having more up to date information than the other party.
- Prepare an offer carefully and in conjunction with your solicitor and begin negotiations.
- Counter offers are generally made by the purchaser after the valuers, accountants, lawyers and financiers, etc. have all looked at the property and the leases, and addressed any issues.
- Expect the vendor to counter offer. The process can sometimes take considerable time before an unconditional contract is signed.
- Depending on the nature of the deal, there may be a separate purchase contract for the property, and a separate purchase contract for the business and equipment etc.
- Sign the deal there and then if you have made a decision and all parties are in agreement.
- Ensure your contract is conditional and includes an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that on the contract all names and addresses are spelt correctly, that all property details are correct, and that you understand all conditions and clauses
- If the property is being sold leased, ensure that all the tenant's details are correct, whereas if the property is being sold with vacant procession, or you require vacant procession on settlement, ensure that this is noted on the contract
- Include a special condition clause in the contract for the seller to sign building work and town planning applications if required
- Negotiate directly with the owner of the property wherever possible
- Confirm all instructions and negotiations in writing.

Process upon acceptance of offer

- On signing a contract confirm with your solicitor if insurance cover is required

- Deposit is paid to deposit holder and held in trust account
- Original contract goes to purchaser (you)
- Copy of contract sent to the seller's lawyer
- Ensure contracts have been sent to all parties involved
- Take action on contract conditions and note condition due dates in a diary and comply with accordingly
- Advise your finance broker/financier of the signed contract, provide them a copy, and instruct to progress with finance approval
- Keep vendor or vendor's agent informed regularly

Conditional Phase

- Instruct solicitor to carry out all searches, including easements, covenants, caveats and other encumbrances etc.
- Meet onsite with key team members to finalise due diligence
- Carry out required inspections, tests and reports, e.g. building and pest, site survey, specialist reports like flood, disability compliance etc.
- Coordinate finance approval
- Obtain quotes for all works required

Unconditional Phase

- Continue to obtain quotes for all works required
- Engage contractors, consultants etc.
- Consultants progress designs and reports if required
- Conduct specialist assessments and reports if required
- Lodge approval applications and compliance documents if required

Settlement Phase

- Liaise with the finance broker/financier to ensure they are prepared for settlement
- Inspect the property a day or two prior to settlement to ensure it is in the condition that you expect it to be in, based on the contract
- Make sure your lawyer does a final land title search the day prior to settlement
- If tenanted, check prior to settlement to ensure that the tenant has the new owner details and account details for rent payment
- Have electricity account changed to your name if vacant procession on settlement.

Step 17 – Finance

Securing Finance

- Determine your personal finance capability
- Make a preliminary finance application
- Look for a lender or broker that specialises in lending for commercial property
- Ensure that you deal with a lender/broker that understands your needs
- Ensure that contracts are subject to finance
- Determine the funding terms and negotiate on them, e.g. LVR, loan duration, principal and interest payments and over what period, interest rate, charges and fees etc.
- Lodge your application with a commercial finance broker or department
- Where possible, and if it suits your strategy and lending capacity, get finance for the entire project, including renovation works if applicable
- Make sure that you include all the relevant documentation in your application
- Advise finance broker/institution that the property is 'under contract' and 'subject to finance' and potentially other conditions – provide them with a copy of the contract/s
- Complete a finance application submission and present it to the broker

What to Include in Your Application for Finance

- The size of the deal being financed will dictate the documentation to include in your application, e.g. financing a larger commercial enterprise can range from full feasibility studies, business plan, and SWAT analysis through to a comprehensive finance application, e.g.
    - Cover page with pictures
    - Executive summary
    - Company summary
    - Business plan
    - Market analysis
    - Industry analysis
    - Strategy implementation including SWOT analysis
    - Management summary
    - Financial forecast – including principal and interest payments if that is the likely financing model. Double check that all figures are correct.

Risk Assessment

- Supply a report of your financial history, assets and cash flow, and property experience
- Get a copy of your credit report from a credit reporting body like Veda and make sure it is correct.
- If there are any issues with your credit rating, ensure that they are cleared up prior to applying for finance
- Offer the subject site as your security and be wary of cross-securitisation with other property you own.

Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform title searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- If applicable - instruct contractors and consultants to book in commencement of work immediately after settlement – ask for written confirmation

Step 18 – Undertaking Conversion / Renovation / Maintenance Works

- Refer to the renovation section of Module 10 for a detailed checklist of the renovation process.

Step 19 – Compliance / Development Approval Requirement

- From your research in Step 8, demonstrate fulfilment of compliance requirements and lodge documentation for approval as required
- If council development approval is required, refer to the development approval section of Module 10 for a detailed checklist of the process.

Step 20 – Advertising For Lease

Prior to Marketing your Property

- Periodically research the other properties available that you will be competing against – what is their rental rate, days on the market, the quality of their photos, their copy and description?

- Discuss your property with your commercial agents/leasing agents and request their feedback on rental price resistance levels for your type of product, what rental price would they recommend for your product, current supply and demand, recommended marketing strategy, and marketing costs if any
- Record this data for future reference
- Identify how you can make your property stand out, e.g. professional photos, targeted copy that highlights your property
- Decide on a rental price you can offer based on your research
- Update your feasibility analysis with the proposed rental prices.

Commencement of Marketing

- Prepare the written copy for your advertising, incorporating the features that will attract occupants based on your due diligence
- Have professional photographs taken, including aerial view photos if appropriate
- Monitor enquiries and prospective occupant's/client's/visitor's feedback so you can address as required
- Follow-up listing agent/property manager weekly for feedback on progress.

Step 21 – Accounting and Tax

Accounting and Tax in General

- Enlist the services of a qualified accountant that specialises in commercial real estate and business accounting.
- Determine the tax implications prior to buying the property so that you understand your obligations, e.g. Income Tax, Capital Gains Tax, GST on purchase, sale and rent, Land Tax
- Confirm if the property is being sold as a going concern as this will have GST implications
- Put structures in place to minimise risk and maximise tax benefits
- If you are doing significant renovation works, discuss with the accountant if it is beneficial to have a depreciation schedule prepared prior to renovation works to maximise depreciation of demolished items
- Ensure that you have a depreciation schedule prepared for the finished product on completion of renovation works, so as to maximise the tax benefits
- Determine the bank account to be used for paying costs and for receiving rents
- Create a system for filing invoices and recording all payments

- Submit all relevant documents to your accountant annually, or more regularly if required

Step 22 – Valuation and Refinancing

- On completion of the project and once you have a history of ownership, consider if it is appropriate to have the property revalued and refinanced
- Discuss the revaluation and refinancing process with your mortgage broker and confirm the timing, e.g. they may recommend a 6 month or 12month gap between the purchase valuation and revaluation
- Confirm the likely market value based on the rent and capitalisation rate, and researching comparable sales and prepare relevant information for the valuer including:
    - Copy of lease/s and rental statements, plus information on the tenants, e.g. occupancy duration, terms etc.
    - Recent comparable sales – and comparison to your property
    - Description of your property features including list of completed renovation works if applicable
- Consider if it is appropriate for you to engage and pay for your own valuation, prior to getting the bank valuation
- Where possible meet with every valuer onsite and provide them with your research
- If you have had your own valuation done, and you are happy with it, provide it to the bank's valuer both prior to them arriving on site, and at the site meeting.

Step 23 – Celebrate your Learning and Project Review

Celebrate Your Leaning and Profit

- At key milestones throughout the project, remember to celebrate your successes
- On completion of the project make time to celebrate your achievements, not only monetary, but also the learning that you had, the experience that you gained, and the personal development that you experienced

Project Review

- On completion of the project undertake a review
- Complete an "Actuals" feasibility of the project, detailing the actual costs, income and cash flow, market value etc.
- List down your learnings - what worked, what didn't work, what you would do differently next time, and how you could improve
- Add the project learnings to your master checklist for this strategy so that you are continually improving on your process.

PLATINUM
ACCELERATOR

MODULE
12

TWO YEAR PLAN

I LOVE REAL ESTATE

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PLATINUM
ACCELERATOR

Introduction

This is probably the most important module of the whole Success Accelerator Program. Mapping out a structured two year plan gives you a framework from which you can make decisions. This is why many years ago the the Peg in the Sand Journal was created, because unless you know what you want, how do you know if the decisions you make will take you closer to your desired outcome or further away. If at this point you haven't yet completed the Peg in the Sand Journal, it is highly recommend that you pause and spend some time working through this journal. I know for a fact that the students that spend the time completing their Peg in the Sand Journal are the ones that succeed and achieve massive results.

Once this journal is completed, you will have the big picture of where you want your life to go in some type of orderly fashion. This journal helps you break down your big goals into smaller sequential goals that you can achieve on a week-by-week, month-by-month, and ultimately year-by-year basis. From a goal setting perspective there are a number of key elements that make the process a reality, and before getting into the nitty-gritty of creating a two year plan we would like to discuss some of those elements first.

Clarity

The more clarity you have in what you want to achieve, the easier it is to put systems and processes into place to achieve your desired outcomes. When you just have a fuzzy idea of how you want things to turn out, your actions, opportunities and interactions will also be fuzzy and not directly focused on what you really want. The clearer your picture is, the clearer the plan to get there will be.

This process goes right down to the most minute details you could possibly imagine. The more detail you have around your goals, the easier it is for you to make decisions and take actions to achieve that outcome.

Emotional Connection

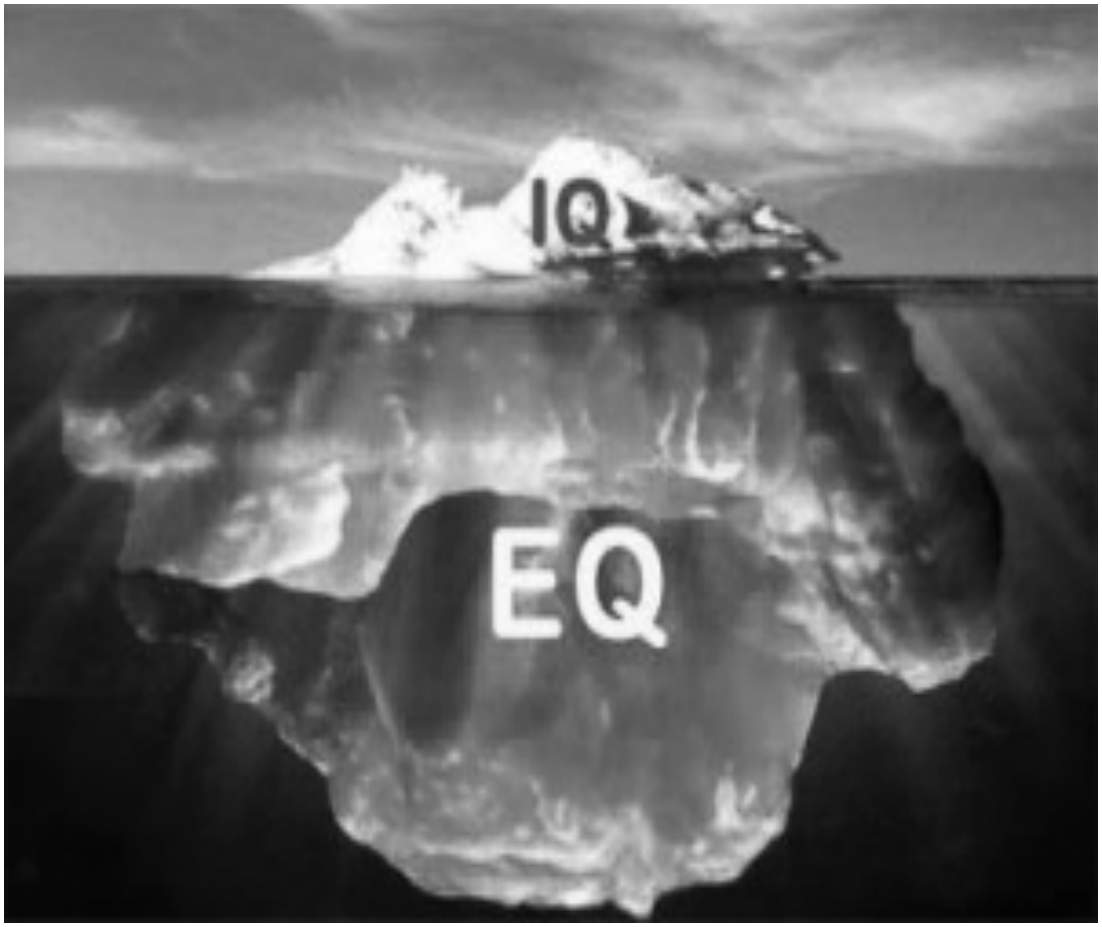
To fully understand how important it is to create an emotional connection with our goals, it helps to understand our biological heritage. We might think our conscious brain controls who we are and what we do. In fact this couldn't be further from the truth. Most of our actions, bodily functions and decisions are actually made from our subconscious or unconscious. Our unconscious anatomy is what controls all survival functions, for example, breathing, heart beat, digestion, but also more crucial functions such as our automatic response systems.

- Our subconscious does not speak words.
- Our subconscious speaks feelings and emotions

This might be the point at which the boys and the logical left brain people start to tune off, but we encourage you to persist, because when you link emotion to goals - particularly logistical outcome goals - you bring together both your conscious and subconscious to work together to achieve the desired outcome. The stronger the emotional connection you can make, the quicker the outcome seems to happen. There have been many scientific studies done on emotional connection and I encourage you to explore this area further.

When you can effectively combine all sensory stimuli – visual, auditory, tactile, smell, taste - then the emotional connection to your goal becomes as important as breathing. It becomes the dominant driving force behind your actions, thoughts and perceptions. Until you can actually see yourself having achieved a certain goal, or living a certain lifestyle, you won't achieve it. You actually have to make the emotional connection between you and your desired outcome. Otherwise, at a subconscious level you simply don't believe you will ever achieve it.

The picture opposite represents the functionality of our conscious and unconscious brain. Only around 10% of our brain is operating consciously the other 90% works at an unconscious level, and remember the unconscious is driven by emotion. So your IQ is your conscious intelligence whereas your EQ is your emotional intelligence.



Methodology

There are numerous methods that can be employed to give clarity and emotional connection to your goals.

Some people like to **free write**, which is the process of writing any random idea that comes into your head. Whilst I have done this free writing process on previous occasions I don't find it the most effective for me. That's not to say that it won't work for you, but for me my hand simply can't keep up with my head and I find the process a little tiresome.

Once you have exhausted your free writing brainstorming session, it can be quite enlightening to go back and read over what you've written. Rereading what you've just written further cements the concepts and ideas into your subconscious mind, however what is really exciting is when you reread what you've written some months or even years later. It is often quite astounding how much of what you have written is now reality. Some of you may know I have a little bit of a notebook fetish and I like to write down my goals and dreams and aspirations in neat little notebooks with nice paper. Well, I was cleaning out my bookcase the other day and I found about 20 or so of my old notebooks

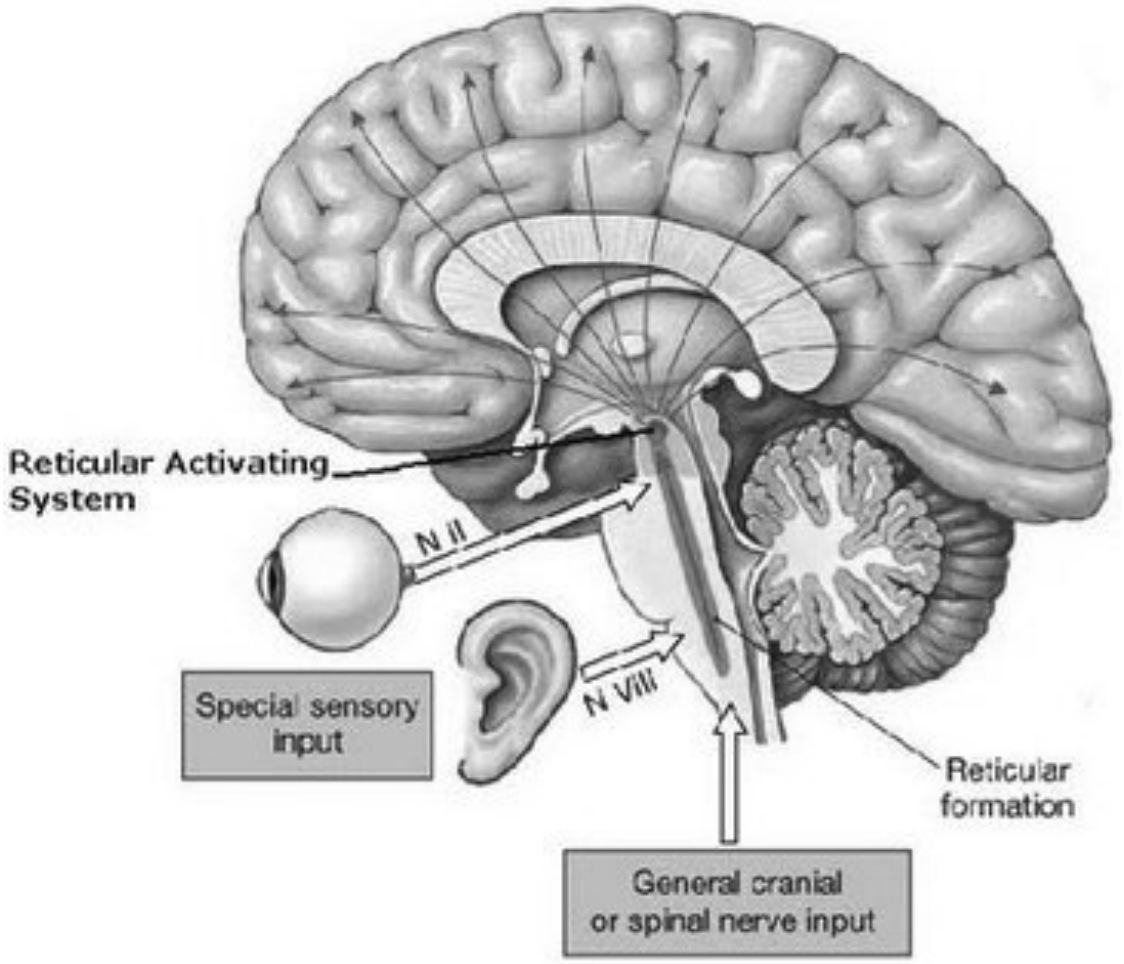
from over 10 years ago. Well there went the afternoon, because for the next few hours I was completely enthralled by reading over what I had written many years ago and was both encouraged and humbled by what I had written and how much of it was now common place in my life. Spooky isn't it?

On a similar note, some people like to use **free drawing**. It's just like free writing except you draw what you want to have in your future. For those who are artistically minded this process can work well. In the past, drawing has been a beneficial tool for me. I remember a few years ago I pulled out an old sketch book and on flipping through the pages I noticed a drawing of a house, not surprisingly it is the house that I now live in, even down to the circular driveway, the water feature, and the surrounding trees and landscape. This drawing was done some five years before I actually created/manifested/built the house we now live in. This has been an occurrence that has repeated many times through my lifetime.

A variation of the free drawing is doing a **vision board**. These days with technology, it is easy to find the visual pictures of the things that you want to incorporate in your future. Whether that be a fit body, healthy lifestyle, a yacht, a Lamborghini or a dream house, you can find a picture of it on the Internet. By collating these pictures together into one spot and saving them as a dream board or vision board you are emotionally connecting with the visual representation of how you want your life to be and what material things you would like to have in your life. All this is good and useful to your desired outcome.

I make all my Platinum members do both a one-year vision board and a five-year vision board. The five-year vision board is easy for most people and they allow themselves the comfort of putting whatever they've ever desired on the vision board. A one-year vision board is often more challenging because in such a short time you are faced with the reality of making it happen. Lack of confidence starts to creep in and the fear of 'how to' becomes a limiting factor. We encourage you to push through this fear and the results will be rewarding.

For some people the simple process of **daydreaming** is what works best. It's funny that as children we are told 'stop daydreaming', 'focus on what you're doing', yet now here we are telling you to start daydreaming. It's actually been scientifically proven that by daydreaming you intend how you want things to turn out. You see, there is a mechanism at the base of your skull called your **reticular activating system (RAS system)**, and what this system does is it tells your conscious and subconscious mind what is important to you, and what you need to focus on for your own advantageous survival.



Your RAS system is like a radio receiver. You simply tune in what radio frequencies you want to listen to or observe. By doing this you are tuning in to situations, opportunities, conversations and interactions with others that may be beneficial for what you have pre-intended as your desired outcome or what is important to you.

As an example; a mother with a young baby can live next to a train track where trains go past every 20 minutes and she'll never hear the trains, but if that baby so much as whimpers, she will be immediately alert as her RAS system has been pre-programmed that the cry of the baby is important. What we need to do as adults is program our RAS system with what is important to us.

From a real estate perspective this is best illustrated by a conversation I had with Ian. We had a discussion about rooming and boarding houses a number of years ago, and I had said to Ian that I wanted him to really get on top of the rules and regulations for boarding and rooming houses in all the States as I think it's a great opportunity for students to

maximise income and I needed him to know it. In the next couple of days Ian was walking down the main street of Buderim and he overheard a conversation a couple were having about a boarding house. He stopped, waited until the immediate conversation had finished and then approached the gentleman that had spoken about his boarding house experience. This man owned several boarding houses and was a wealth of information for Ian. You see, prior to Ian's RAS system being pre-programmed to be attracted to anything to do with rooming and boarding houses, Ian probably would not have overheard the conversation and walked straight by, but once his RAS system was programmed that that information was important to him, he started to notice conversations, deals, opportunities and people that were aligned with that information.

This is one of the reasons why education and awareness is so powerful. The more you know, the more you understand, and the more you focus on anything, the more opportunities you see to excel in that area.

Another form of activation of your RAS system is via **meditation**. This is a method that I absolutely love. Not only is it a powerful method of programming and intending, it is also relaxing and incredibly healing from a health perspective. I use meditation and in particular self-recorded meditation or guided meditation for most of my goals and desired outcomes whether they be financial, health or relationship oriented. As a very visual person I find meditation extremely powerful, because meditation works on your imagination and your third eye as well as your auditory senses and to some extent touch and smell. It acts as a complete sensory experience to foresee or foretell how you want your future to pan out. It's a simple form of pre-intending. Meditation is not for everyone, however, for those of you who are interested in exploring this avenue of focus there are a number of meditations available via the Ultimate members website in the webinar section. You can also access a full suite of meditation recordings that have been recorded for students (and myself of course) on the Ultimate Members Only Website. They can be found at this link: https://ultimate.iloverealestate.tv/millionaire-mindset-content/

One very simple technique, which is spoken about at the one-day event is simply spending 15 minutes every day thinking about you. If you spend **15 minute every day** just thinking about you, who you are, what you want to achieve, whether you're on track, whether you're making ground on your goals, what your goals are, whether you are happy, what makes you happy. These are all really good questions, which just make you think about who you are and what you really want out of life. This is not something that you do once in a blue moon; this is something that you commit to be part of your life for the rest of your life. Just 15 minutes. It doesn't take that long. But I can guarantee you if you do spend 15 minutes every day thinking about you, your entire life will change forever.

I recently received an amazing letter from a student who came to one of my one-day events. He was going through a bit of a tough time and had a few obstacles to overcome. He took on board what I said about 15 minutes every day and very diligently has been spending 15 minutes, every day since the one-day event, thinking about him. He wrote me a beautiful letter to tell me some of the amazing things that happened in his life since starting the 15 minutes and what a difference it had made to him, his family and relationships. I know if you spend 15 minutes a day focussing on you, you will have similar results.

For some people, **making a list** is the way to go. This is kind of a variation on the free writing process. For those people who are very logically minded like the engineers and the accountants and economists of the world, writing a list is an easier process. Once the list is complete, prioritise it into 'not so important', 'important' and 'absolutely essential'. At least by doing this you will have a shortlist of things you want to achieve.

I spoke to a lady recently who had trouble identifying what she wanted in life. Upon questioning her, she indicated it was because she didn't have children or a partner, and there was just her to satisfy, so she was content to just drift. However, when I dug a little deeper she realised that there was a certain standard of living, way of life, etc., that she wanted to attain and when I informed her that this was fabulous because at least now she had a starting point, she was at first confused. When I explained that once you have a conceptual idea of how you want to live, then it is easy to convert that into a dollar figure, an income figure that needs to be created in order to live that particular lifestyle. Now we have a starting point for her to establish her goals and ultimately, her plan of attack.

I find many people who have trouble setting goals have repressed their true feelings and desires for so long that is has become habit. Men particularly, can fall into this category. They get brought up with the concept that they have to provide income for the family, and do what it takes to be the breadwinner etc. This often results in a breakdown or a midlife crisis later in life when they get to the point that they realise that their whole life has been designed around social expectations or the needs of other people. It can also be the case for women who give up their goals and dreams and aspirations to be a homemaker and primary care giver. This of course falls in a heap when the kids leave home or become independent and no longer need that crutch or support. Again, problems arise around self-worth and the woman's place in the world. Questions arise like, "What am I here for?"

It is very important to be in touch with who we really are and what we really want out of life, because no one else can do this for you – only you. However, once you have a concept of what this is, then the process to achieve it is the easy part.

The Process

The process of creating a two year plan can be done in a number of ways. How you create your two year plan will really depend on your personality and how you think. Some are happy to grab a roll of paper and drawing pencils and fill the pages with pictures and houses and events happening over a two year period. Some would prefer to prepare their two year plan on an Excel spreadsheet, and others will use all sorts of tools for programming to create charts and bar graphs. The bottom line is, there is no right or wrong way, provided it works for you. I believe it is important to have some form of system to the two year plan and it needs to be stepped out on a deal-by-deal basis, month-by-month over a two year timeframe. The reason I like a two year plan is because it is long enough to achieve the completion of most strategies, yet short enough to have clarity around the exact actions to be taken throughout the two year timeframe.

So how do you start? The first thing is to make a list of all the properties that you have right now. Beside each property, think about what action needs to be taken on that particular property and write this down. For example, do you need to sell one of the properties? Is there more manufactured growth or income to be done on your existing properties such as renovation, subdivision, granny flat, etc.? Then beside the action required, think about how long it is likely to take to undertake that course of action and write this down

Let's take a hypothetical example to work through how I would do a two year plan for our hypothetical couple.

Jack and Jill (I'm very imaginative!)

Assets	Action	Time	Cost
PPR	Reno and revalue to release equity	3 mths	$30,000 out
Invest Property 1	Sell – very negatively property (10k)	3 mths	$50,000 in
Invest Property 2	Subdivide, build dual occ, keep for	4 mths	$60,000 out
(Assume a neutral	cashflow sell existing property(400k)	6 mths	$60,000 out
cashflow)		2 mths	$400,000 in
Pay down debt		-	$400,000 out
Third Car	Sell for more deposit money	1 mth	$20,000 in
	Pay down PPR debt and redraw	½ mth	-
Caravan	Sell for more deposit money	1 mth	$35,000 in
	Pay down PPR debt and redraw	½ mth	-

Now we need to know what our starting point is for our hypothetical couple. Notice I have sold off unnecessary personal assets like the extra car and caravan, which Jack and Jill could put to better use in their real estate business.

Current financial position

Asset	Value	Loan	Equity	Avail. Eq
PPR	$500,000	$250,000	$250,000	$150,000
Invest Prop 1	$450,000	$390,000	$ 60,000	Plan to sell – so $50k after costs
Invest Prop 2	$450,000	$360,000	$ 90,000	0
Third Car	$ 20,000	0	$ 20,000	$ 20,000
Caravan	$ 35,000	0	$ 35,000	$ 35,000

What needs to happen now? We need to step out on a month by month basis how all these actions are going to play out over the months and how much money we have in our available equity bucket at any time and what our passive income is through the months.

I am going to do this in an Excel spreadsheet but if you prefer you can do it on a roll of butcher's paper and handwrite it – either is fine. Where I am using Month 1, Month 2 etc., you would use the exact month e.g. March, April etc.

The spreadsheet might look a little confusing to start – but all I am doing is tracking each property and what is happening to each property, what the costs are, and what the cashflow implications are. Let's first look at the year one schedule of the plan. As you will see, we are going to maximise the existing properties first and step out each of the actions on those properties before anything else.

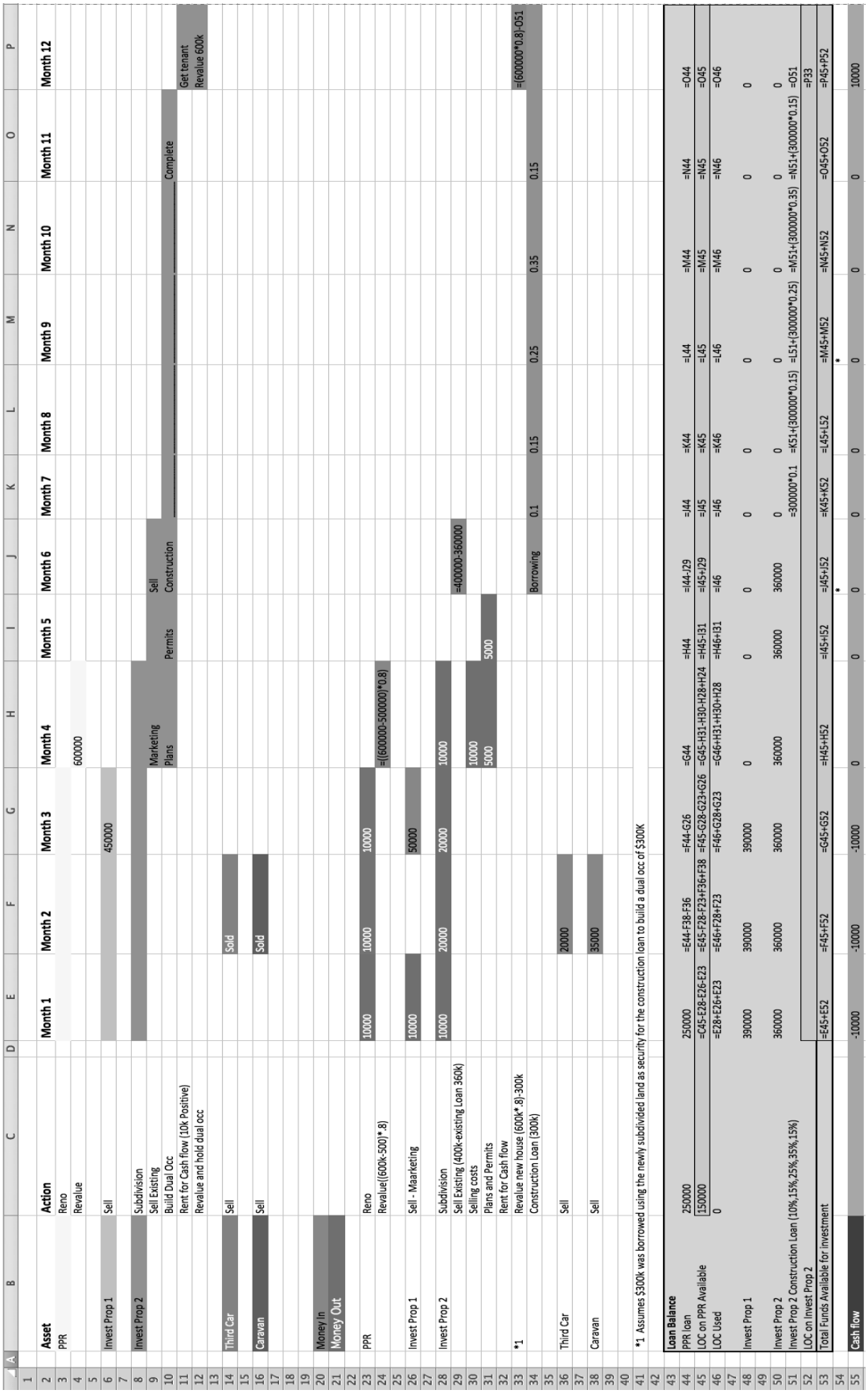
Asset	Action	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
PPR	Reno												
	Revalue				600,000								
Invest Prop 1	Sell			450,000									
Invest Prop 2	Subdivision												
	Sell Existing				Marketing		Sell						
	Build Dual Occ				Plans	Permits	Construction					Complete	
	Rent for Cash flow(10k Positive)												Get tenant
	Revalue and hold dual occ												Revalue 600k
Third Car	Sell		Sold										
Caravan	Sell		Sold										

Money In													
Money Out													
PPR	Reno	10,000	10,000	10,000									
	Revalue((600k-500)*.8)				80000								
Invest Prop 1	Sell - Marketing	10000		50000									
Invest Prop 2	Subdivision	10000	20000	20000	10000								
	Sell Existing (400k-existing Loan 360k)						40000						
	Marketing costs				10000								
	Plans and Permits				5000	5000							
	Rent for Cash flow												
*1	Revalue new house (600k*.8)-300k												180000
	Construction Loan (300k)						Borrowing	10%	15%	25%	35%	15%	
Third Car	Sell		20000										
Caravan	Sell		35000										

*1 Assumes $300k was borrowed using the newly subdivided land as security for the construction loan to build a dual occ of $300K

Loan Balance													
PPR loan	250000	250000	195000	145000	145000	145000	105000	105000	105000	105000	105000	105000	105000
LOC on PPR Available	150000	120,000	145,000	165,000	220,000	215,000	255,000	255000	255000	255000	255000	255000	255000
LOC Used	0	30,000	60,000	90,000	115,000	120,000	120,000	120000	120000	120000	120000	120000	120000
Invest Prop 1		390000	390000	390000	0	0	0	0	0	0	0	0	0
Invest Prop 2		360000	360000	360000	360000	360000	360000	0	0	0	0	0	0
Invest Prop 2 Construction Loan (10%,15%,25%,35%,15%)								30000	75000	150000	255000	300000	300000
LOC on Invest Prop 2													180000
Total Funds Available for investment		120,000	145,000	165,000	220,000	215,000	255,000	255,000	255,000	255,000	255,000	255,000	435,000
							*		*				
Cash flow		-10000	-10000	-10000	0	0	0	0	0	0	0	0	10000

Just so you know what has been done behind the scenes here, this is the same spreadsheet except in this one, all the formulas of each of the cells is shown.



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1																
2		**Asset**	**Action**		**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**	**Month 7**	**Month 8**	**Month 9**	**Month 10**	**Month 11**	**Month 12**
3		PPR	Reno													
4			Revalue					600000								
5																
6		Invest Prop 1	Sell				450000									
7																
8		Invest Prop 2	Subdivision					Marketing		Sell						
9			Sell Existing					Plans	Permits	Construction					Complete	
10			Build Dual Occ													
11			Rent for Cash flow (10k Positive)													Get tenant
12			Revalue and hold dual occ													Revalue 600k
13																
14		Third Car	Sell			Sold										
15																
16		Caravan	Sell			Sold										
17																
18																
19																
20		Money In														
21		Money Out														
22																
23		PPR	Reno		10000	10000	10000									
24			Revalue((600k-500)*.8)					=((600000-500000)*0.8)								
25																
26		Invest Prop 1	Sell - Maarketing		10000		50000									
27																
28		Invest Prop 2	Subdivision		10000	20000	20000	10000								
29			Sell Existing (400k-existing Loan 360k)							=400000-360000						
30			Selling costs					10000								
31			Plans and Permits					5000	5000							
32			Rent for Cash flow													
33		*1	Revalue new house (600k*.8)-300k													=(600000*0.8)-O51
34			Construction Loan (300k)							Borrowing	0.1	0.15	0.25	0.35	0.15	
35																
36		Third Car	Sell			20000										
37																
38		Caravan	Sell			35000										
39																
40																
41		*1 Assumes $300k was borrowed using the newly subdivided land as security for the construction loan to build a dual occ of $300K														
42																
43		**Loan Balance**														
44		PPR loan	250000		250000	=E44-F38-F36	=F44-G26	=G44	=H44	=I44-I29	=I44-I29	=K44	=L44	=M44	=N44	=O44	=O44
45		LOC on PPR Available	150000		=C45-E26-E23	=E45-F28-F23+F36+F38	=F45-G28-G23+G26	=G45-H31-H30-H28+H24	=H45-I31	=I45+I29	=I45	=K45	=L45	=M45	=N45	=O45	=O45
46		LOC Used	0		=E28+E26+E23	=E46+F28+F23	=F46+G28+G23	=G46+H31+H30+H28	=H46+I31	=I46	=I46	=K46	=L46	=M46	=N46	=O46	=O46
47																	
48		Invest Prop 1			390000	390000	390000	0	0	0	0	0	0	0	0	0	0
49																	
50		Invest Prop 2			360000	360000	360000	360000	360000	360000	0	0	0	0	0	0	0
51		Invest Prop 2 Construction Loan (10%,15%,25%,35%,15%)									=300000*0.1	=K51+(300000*0.15)	=L51+(300000*0.25)	=M51+(300000*0.35)	=N51+(300000*0.15)	=O51	=O51
52		LOC on Invest Prop 2														=P33	=P33
53		Total Funds Available for investment			=E45+E52	=F45+F52	=G45+G52	=H45+H52	=I45+I52	=J45+J52	=K45+K52	=L45+L52	=M45+M52	=N45+N52	=O45+O52	=P45+P52	=P45+P52
54																	
55		Cash flow			-10000	-10000	-10000	0	0	0	0	0	0	0	0	0	10000

So what does this all mean? As you can see, we have systematically worked through the actions on each property. When an expense is required the Line of Credit (LOC) on the PPR as a bank is used to pay for the expense. When money comes in from the sale of investment property 1 and the sale of existing house for property 2, the money after expenses comes off the original mortgage on the PPR. Then the split facility would be adjusted, which then gives the equivalent amount in the available LOC.

The LOC is split into 'available' and 'used' so you can see how much money you have in your kitty at any given time. This is important, as you need to know whether you have funds available for expenses and further investment.

Also included is a cashflow line at the bottom to keep track of where the figures are at, from a passive income perceptive. At this stage it is pretty boring as it starts out negative then goes to zero when the negatively geared property 1 is sold and it doesn't become positive until the dual occupancy house is built and rented on the newly subdivided property 2.

The other thing that may seem confusing, is when the dual occupancy property is built, it is being paid for out of a construction loan, which would be secured against the newly subdivided land after the existing house on that block is sold. If there was a shortage of funds at this point it could have been revalued after the subdivision was done. However, I didn't need to, in order to borrow for construction of the new property, so it was easier to use the land as security for the construction loan. The drawdowns used for the construction loan are the standard drawdowns most banks use.

10% on slab
15% on framing
35% on lock-up
25% on fit out
15% on final

It's also interesting to note that the PPR loan started the year at $250,000 and after just one year we have brought it down to just $35,000. Obviously, I have not included normal interest payments against any of the loan. When doing a 2 year plan, this is something you would normally do as a year-end adjustment. The 2 year plan is a plan of action that tracks your intention for each existing and new property. It is a guide and will not necessarily be an exact science.

Now that we have dealt with the maximisation of the existing properties, what strategy should we do next and when should we start adding our next property?

What strategy we choose will come down to our goals and our desired outcomes. Let's assume Jack and Jill want to build up a portfolio over the next five or so years with enough passive income so that Jack and Jill will be able to start to cut back on their paid employment. Jack and Jill want to focus their investment strategies dominantly in metro areas and want relatively easy care properties for the long-term. For this reason, I would try to keep Jack and Jill's strategies relatively simple. I would not be looking to throw them into large unit development construction or commercial property at this stage. Both of these strategies could come down the track when they are a little more experienced and have more money behind them.

So how about we throw in a duplex build with a view to selling one and keeping one. This way they can take the profits from the sale of one of the duplexes and pay down the mortgage on the remaining duplex, which they can keep as a long-term rental. If Jack and Jill were not as risk averse when it comes to on-going management, I may have considered building duplexes, which could be rented as rooming houses or micro apartments, as this would have given them a much higher passive income result, but it would have required more on-going management.

For now the question comes, "When should we add the duplex build?" Rather than push things to the absolute limit, the appropriate time would be as soon as the finance has been approved for the dual occupancy build on property number 2. By adding a new property at this point, we know we have the financing set to complete the actions on our existing properties and any new borrowing would not affect what we already have in place. In our example, this would mean we would start looking for a new property in months 5 and 6. However, we would not contract on a property until month 7. So let's add some time parameters around this next strategy.

Asset	**Action**	**Time**
Investment property 3	Buy an old property on a block size and zoning suitable for a duplex build.	2 months
	Knock down old house	1 month
	Construct Duplex	7 months
	Sell one side of duplex	2 months
	Rent other side for $10k assets passive	1 month

Now let's put some costings to this strategy.

Action	**Cost**
Buy an old property on a block size and zoning suitable for a duplex build.	$450,000
Purchase costs	$ 15,000
Knock down old house	$ 15,000
Construct duplex	$360,000
Sell one side (after GST implications)	($550,000)
Cost of selling	$ 15,000

Upon purchasing the new property Jack and Jill will need a 20% deposit - 10% upon signing the contract and 10% on settlement. They will also need a further $15,000 for settlement costs. When construction starts, they will need 20% of the construction costs, the other 80% will come from a construction loan. It is normal to need 20% to be paid towards construction before the construction loan payments begin.

So let’s add this property to our 2 year plan.

Asset	Action	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
PPR	Reno												
	Revalue				600,000								
Invest Prop 1	Sell			450,000									
Invest Prop 2	Subdivision												
	Sell Existing				Marketing		Sell						
	Build Dual Occ				Plans	Permits	Construction					Complete	
	Rent for Cash flow(10k Positive)												Get tenant
	Revalue and hold dual occ												Revalue 600k
Third Car	Sell		Sold										
Caravan	Sell		Sold										
New Duplex Deal	Buy old property on block size and zoning suitable for duplex build							Reseach	Sourcing	Contract	Settlement		
	Plans and Permits											Plan & Permits	
	Demolish												Demolish

Money In													
Money Out													
PPR	Reno	10,000	10,000	10,000									
	Revalue((600k-500)*.8)				80000								
Invest Prop 1	Sell - Marketing	10000		50000									
Invest Prop 2	Subdivision	10000	20000	20000	10000								
	Sell Existing (400k-existing Loan 360k)						40000						
	Selling costs				10000								
	Plans and Permits				5000	5000							
	Rent for Cash flow												
*1	Revalue new house (600k*.8)-300k												180000
	Construction Loan (300k)						Borrowing	10%	15%	25%	35%	15%	
Third Car	Sell		20000										
Caravan	Sell		35000										
New Duplex Deal *2	Buy old property on block size and zoning suitable for duplex build							0	0	45000	60000		
	Plans and Permits									(10% deposit)	(10% + costs)	10000	
	Demolish												15000

*1 Assumes $300k was borrowed using the newly subdivided land as security for the construction loan to build a dual occ of $300K

*2 Assume a new purchase of $450k & a construction of Duplex of $360k

Loan Balance													
PPR	250000	250000	195000	145000	145000	145000	105000	105000	105000	105000	105000	105000	105000
LOC on PPR Available	150000	120,000	145,000	165,000	220,000	215,000	255,000	255000	255000	210000	150000	140000	125000
LOC Used	0	30,000	60,000	90,000	115,000	120,000	120,000	120000	120000	165000	225000	235000	250000
Invest Prop 1		390000	390000	390000	0	0	0	0	0	0	0	0	0
Invest Prop 2		360000	360000	360000	360000	360000	360000	0	0	0	0	0	0
Invest Prop 2 Construction Loan (10%,15%,25%,35%,15%)								30000	75000	150000	255000	300000	300000
LOC on Invest Prop 2													180000
New Duplex											360000	360000	360000
Total Funds Available for investment		120,000	145,000	165,000	220,000	215,000	255,000	255,000	255,000	210,000	150,000	140,000	305,000
Cash flow		-10000	-10000	-10000	0	0	0	0	0	0	0	0	10000

And here is the same page with the formulas showing

Asset	Action	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
PPR	Reno				600000								
	Revalue												
Invest Prop 1	Sell			450000									
Invest Prop 2	Subdivision				Marketing	Permits	Sell Construction						
	Sell Existing												
	Build Dual Occ				Plans							Complete	
	Rent for Cash flow(10k Positive)												Get tenant
	Revalue and hold dual occ												Revalue 600k
Third Car	Sell		Sold										
Caravan	Sell		Sold										
New Duplex Deal	Buy old property on block size and zoning suitable for duplex build							Reseach	Sourcing	Contract	Settlement	Plan & Permits	
	Plans and Permits												Demolish
	Demolish												
Money In													
Money Out													
PPR	Reno	10000	10000	10000	=((600000-500000)*0.8)								
	Revalue((600k-500)*.8)												
Invest Prop 1	Sell - Marketing	10000		50000									
Invest Prop 2	Subdivision	10000	20000	20000	10000		=400000-360000						
	Sell Existing (400k-existing Loan 360k)												
	Selling costs				10000								
	Plans and Permits				5000	5000							
*1	Rent for Cash flow												
	Revalue new house (600k* .8)-300k												=(600000*0.8)-O59
	Construction Loan (300k)						Borrowing	0.1	0.15	0.25	0.35	0.15	
Third Car	Sell		20000										
Caravan	Sell		35000										
New Duplex Deal *2	Buy old property on block size and zoning suitable for duplex build									45000	60000		
	Plans and Permits									(10% deposit)	(10% + costs)	10000	
	Demolish												15000

*1 Assumes $300k was borrowed using the newly subdivided land as security for the construction loan to build a dual occ of $300K

*2 Assume a new purchase of $450k & a construction of Duplex of $360k

Loan Balance	250000	=C53-E31-E29-E26	=E52-F41-F39	=F52-G29	=G52	=H52	=I52-I32	=J52	=K52	=L52	=M52	=N52	=O52
PPR	250000	=C53-E31-E29-E26	=E53-F31-F26+F39+F41	=F53-G31-G26+G29	=G53-H31-H33-H34+H27	=H53-I34	=I53+I32	=J53	=K53	=L53-M43	=M53-N43	=N53-O44	=O53-P45
LOC on PPR Available	150000	=E31+E29+E26	=E54+F31+F26	=F54+G31+G26	=G54+H34+H33+H31	=H54+I34	=I54	=J54	=K54	=L54+M43	=M54+N43	=N54+O44	=O54+P45
LOC Used	0												
Invest Prop 1	390000	390000	390000	390000	0	0	0	0	0	0	0	0	0
Invest Prop 2	360000	360000	360000	360000	360000	360000	360000	0	0	0	0	0	0
Invest Prop 2 Construction Loan (10%,15%,25%,35%,15%)								=300000*0.1	=+K59+(300000*0.15)	=L59+(300000*0.25)	=M59+(300000*0.35)	=N59+(300000*0.15)	=O59
LOC on Invest Prop 2													=P36
New Duplex											=450000*0.8	=450000*0.8	=450000*0.8
Total Funds Available for investment		=E53+E60	=F53+F60	=G53+G60	=H53+H60	=I53+I60	=J53+J60	=K53+K60	=L53+L60	=M53+M60	=N53+N60	=O53+O60	=P53+P60
Cash flow		-10000	-10000	-10000	0	0	0	0	0	0	0	0	10000

The next stage of creating our 2 year plan is to add the next 12 months. As you can see in the next spreadsheet we have dropped the assets that were sold in the previous 12 months and picked up the starting balances as the closing balances of the year before.

When half of the duplex is sold for $550,000 the funds will be used to pay off the remaining balance on the PPR (yeah! – now the PPR is non-tax deductible debt free) and the balance will reduce the debt on the duplex side that Jack and Jill are holding.

You will also notice that when the duplex build is completed and one side is sold off, a new LOC can then be set up. Given that the other side sold for $550,000, it is reasonable to assume the holding side will also value at $550,000. Therefore the LOC will be $550,000 @ 80% less the remaining loan on the duplex of $245,000.

When this refinance is complete, it is time to set up the next deal and for the purposes or ease and size, let's do another splitter subdivision or another smaller construction deal. However, at this point, Jack and Jill could probably do two deals at the same time, as their LOC balances are now healthy enough to handle it.

Asset	Action	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
PPR	No Action												
Invest Prop 2	Dual Occ - No Action												
New Duplex Deal	Complete construction	Construction											
	Sell One side of Duplex							Marketing	Sale				
	Rent one side							Rent holding	Property				
	Revalue and set up LOC								Revalue holding duplex				
	$550k *80% - Balance outstanding												
Buy new Invest deal - Sudivision or Small Construction deal A Estimated Cost of $450,000									Reseach	Sourcing	Contract 10% deposit	Settlement 10% plus costs	
Buy new Invest deal - Sudivision or Small Construction deal B Estimated Cost of $450,000									Reseach	Sourcing	Contract 10% deposit	Settlement 10% plus costs	
Money In													
Money Out													
PPR	No Action												
Invest Prop 2	Dual Occ - No Action												
New Duplex Deal	Complete construction	10%	15%	25%	35%	15%							
	Sell One side of Duplex							15000	150000	Used to pay down debt on PPR & duplex loans			
	Rent one side								Rented for $550 / wk				
	Revalue and set up LOC								80000				
	$550k *80% - Balance outstanding (360k)												
Buy new Invest deal - Sudivision or Small Construction deal A											45000 10% Deposit	60000 10% + settlement costs	

Loan Balance													
PPR	105000	105000	105000	105000	105000	105000	105000	105000	0	0	0	0	0
LOC on PPR Available	125,000	125,000	125,000	125,000	125,000	125,000	125,000	110,000	260,000	260,000	260,000	260,000	260,000
LOC Used	250000	250,000	250,000	250,000	250,000	250,000	250,000	265,000	220,000	220,000	220,000	220,000	220,000
Invest Prop 2 Loan	300000	300000	300000	300000	300000	300000	300000	300000	300000	300000	300000	300000	300000
LOC avail Prop 2	180000	180000	180000	180000	180000	180000	180000	180000	180000	180000	135000	75000	75000
LOC Used											45000	105000	105000
New Duplex Deal	360000	360000	360000	360000	360000	360000	360000	360000	440000	440000	440000	440000	440000
New Duplex construction Loan		40000	100000	200000	340000	400000	400000	400000	0	0	0	0	0
LOC Available									80000	80000	80000	80000	80000
LOC Used									0	0	0	0	0
Total Funds Available for inve	305,000	305,000	305,000	305,000	305,000	305,000	305,000	290,000	520,000	520,000	475,000	415,000	415,000

Cash flow		10000	10000	10000	10000	10000	10000	10000	20000	20000	20000	20000	20000

The following is the same spreadsheet just with the formulas showing so you can understand what is being done behind the scenes.

Asset	Action	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
PPR	No Action												
Invest Prop 2	Dual Occ - No Action												
New Duplex Deal	Complete construction			Construction				Marketing	Sale				
	Sell One side of Duplex							Rent holding	Property				
	Rent one side								Revalue holding duplex				
	Revalue and set up LOC												
	$550k *80% - Balance outstanding												
Buy new Invest deal - Sudivision or Small Construction deal A	Estimated Cost of $450,000								Reseach	Sourcing	Contract	Settlement	
											10% deposit	10% plus costs	
Buy new Invest deal - Sudivision or Small Construction deal B	Estimated Cost of $450,000								Reseach	Sourcing	Contract	Settlement	
											10% deposit	10% plus costs	
Money In													
Money Out													
PPR	No Action												
Invest Prop 2	Dual Occ - No Action												
New Duplex Deal	Complete construction	0.1	0.15	0.25	0.35	0.15							
	Sell One side of Duplex							15000	150000	Used to pay down debt on PPR & duplex loans			
	Rent one side								Rented for $550 / wk				
	Revalue and set up LOC								195000				
	$550k *80% - Balance outstanding (360k)												
Buy new Invest deal - Sudivision or Small Construction deal A											=450000*0.1	=45000+15000	
											10% Deposit	10% + settlement costs	
Loan Balance													
PPR	='Year 1b'!P52	=C36	=E36	=F36	=G36	=H36	=I36	=J36	0	=L36	=M36	=N36	=O36
LOC on PPR Available	='Year 1b'!P53	=C37	=E37	=F37	=G37	=H37	=I37	=J37-K27	=K37+105000+45000	=L37	=M37	=N37	=O37
LOC Used	='Year 1b'!P54	=C38	=E38	=F38	=G38	=H38	=I38	=J38+K27	=K38-45000	=L38	=M38	=N38	=O38
Invest Prop 2 Loan	='Year 1b'!P59	=C40	=E40	=F40	=G40	=H40	=I40	=J40	=K40	=L40	=M40	=N40	=O40
LOC avail Prop 2	='Year 1b'!P60	=C41	=E41	=F41	=G41	=H41	=I41	=J41	=K41	=L41	=M41-N32	=N41-O32	=O41
LOC Used											=N32	=N42+O32	=O42
New Duplex Deal	='Year 1b'!P62	=C44	=E44	=F44	=G44	=H44	=I44	=J44	=550000*0.8	=L44	=M44	=N44	=O44
New Duplex construction Loan		=400000*0.1	=(400000*0.15)+E45	=(400000*0.25)+F45	=(400000*0.35)+G45	=(400000*0.15)+H45	=I45	=J45	0	=L45	=M45	=N45	=O45
LOC Available									=L44-K44	=L46	=M46	=N46	=O46
LOC Used									0	=L47	=M47	=N47	=O47
Total Funds Available for investment		=C37+C41	=E37+E41	=F37+F41	=G37+G41	=H37+H41	=I37+I41	=J37+J41	=K37+K41	=L37+L41+L46	=M37+M41+M46	=N37+N41+N46	=O37+O41+O46	=P37+P41+P46
Cash flow		10000	=E51	=F51	=G51	=H51	=I51	=J51	=K51+10000	=L51	=M51	=N51	=O51

Now for some of you, the whole spreadsheet thing is just not your thing and no matter how it is presented, it's never going to make a whole lot of sense. So, I have done the 2 year plan as a pictorial storyboard which does the same thing as my spreadsheet just in a pictorial fashion. I'm very visual and I quite like this method as well. Neither one is better than the other, it's just what works for you.

Now comes the good part!

You now have to give your own 2 year plan a crack. I understand if you have trouble, but please persist and give it a really good go, then work with your coach on refining it.

Just start with any existing properties:

- You have to think through what actions need to be taken with each of the properties
- How long each of the actions will take
- How much each of the actions will cost
- And when can you afford to undertake these actions.

Then move on to any new purchases and deals that have been discussed with your coach and do the same thing with each of the new deals:

- You have to think through what actions need to be taken with each of the properties
- How long each of the actions will take
- How much each of the actions will cost
- And when can you afford to undertake these actions.

If you try to think about everything all at once it can be really daunting. Just take each action on each property and run it through to its completion before moving on to the next action or property.

If you find at any stage that you run out of money in your bucket (LOC) then you need to backtrack and adjust either your strategy or the timing of your strategy. This actually happened to me when I was working through the Jack and Jill example and I had to delay the purchase of the duplex build until I had revalued the dual occupancy property. Much better to have this happen on a spreadsheet than in real life. In a spreadsheet you can just cut and paste to another column, in real life it could have serious financial implications.

AND THAT'S WHY THE 2 YEAR PLAN IS SOOOOOOO IMPORTANT!










PLATINUM ACCELERATOR

MODULES
10-12

MODULE 10: MANUFACTURED GROWTH STRATEGIES CHECKLISTS

MODULE 11: INCOME STRATEGIES CHECKLIST

MODULE 12: TWO YEAR PLAN

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