

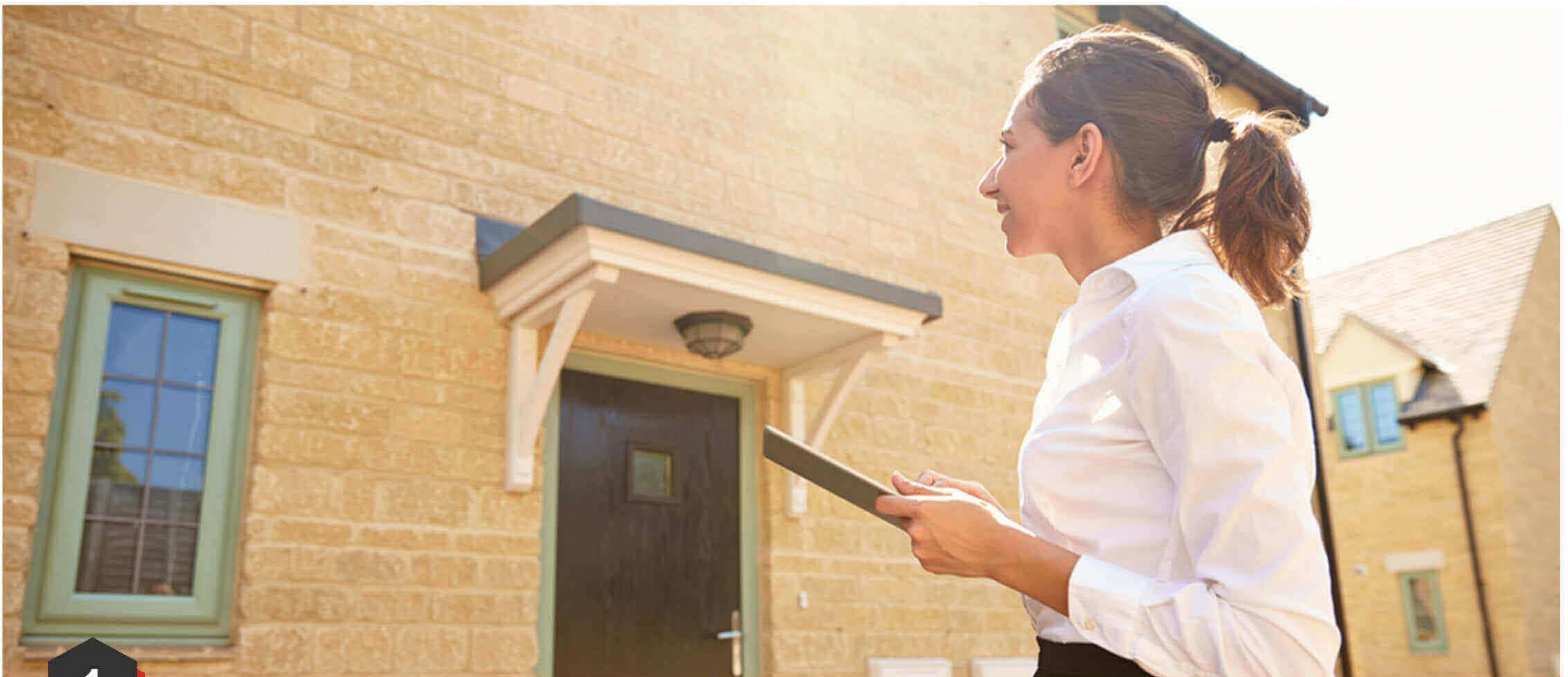


8 Simple Steps

To Ensure Your Next Property Development Is A **SUCCESS!**



Below are some steps that will show you how Jardim Property Group conduct their development process. By carefully following these steps, your development project will be far more likely to be successful. Follow the steps listed below to guide you into becoming a proficient property developer:



1

Planning your next Property Development?

Let me ask you this question..... "when you go on your next vacation – would you have a plan in place or simply jump on the next plane and where it lands Yahoo!"

NO – of course you plan your vacation from the very beginning, what day you'll leave, the time of the flight, time you arrive, accommodation, transport, right to the very end and what day you leave and arrive back home. It's all planned ahead of schedule, full itinerary of sight seeing, adventures, shopping trips, whatever your desire it is all planned and noted so you know exactly what to expect.

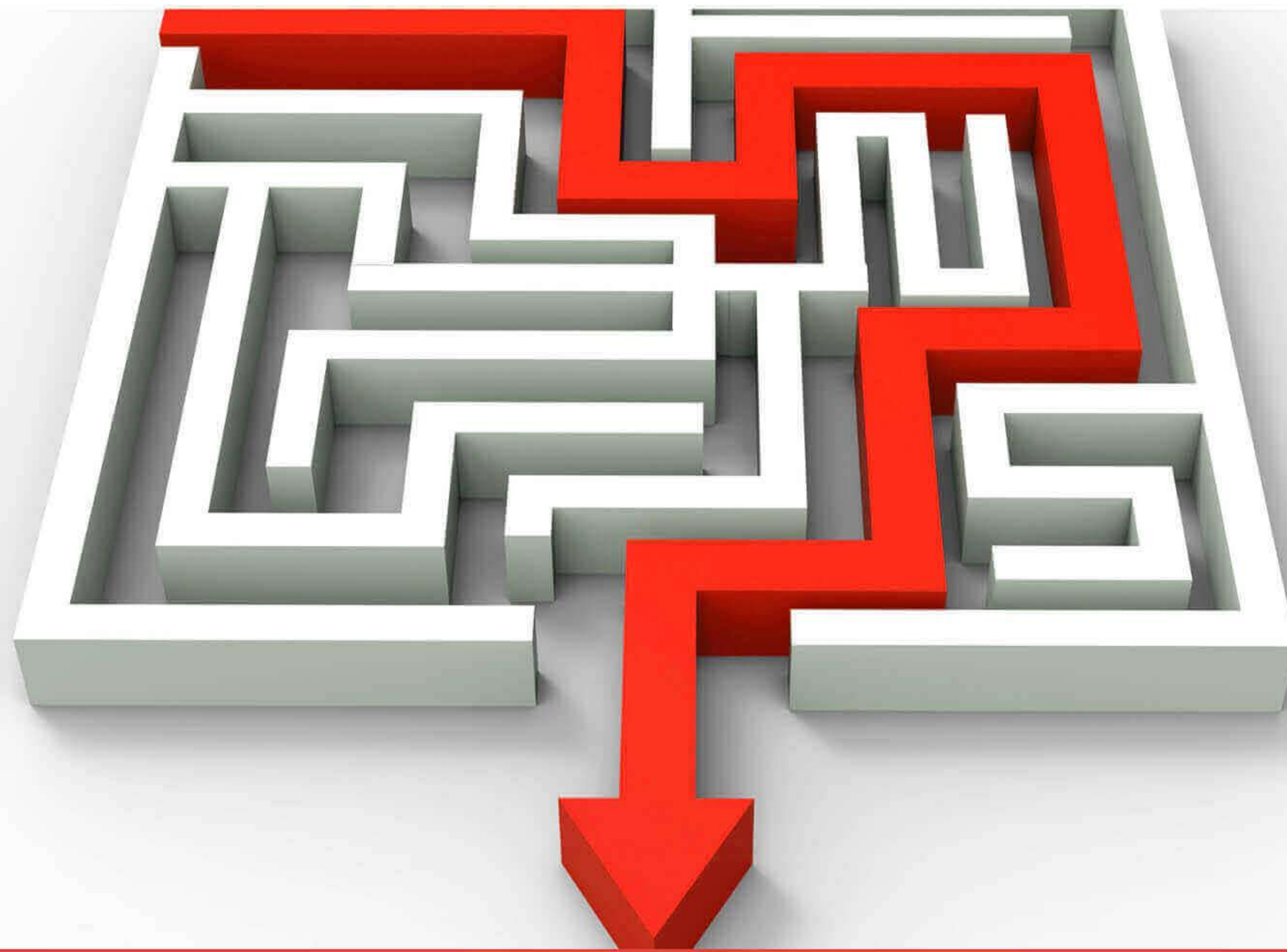
Now that vacation may only be a small drop of \$\$\$'s compared to what a property development can require so why would you even consider taking any short cuts in the process..... it would be absolutely ruthless to do anything of this magnitude without a plan in place.

Everything in life starts with a plan without you even realising it's happening. You get up have shower, brush your teeth, get dressed, have breakfast, get in the car and drive to work etc etc..... this is a plan you already have manifested in your head. You know that every morning you have a set plan to follow and if you don't something will get left behind.



Property Development is vitally important that you have a set plan to follow because one thing left behind could cost you millions.

I have clients say can't you just have a quick glance over the numbers and tell me yay or nay.... Absolutely NOT. We appreciate that the entire process may seem somewhat overwhelming but having a plan in place before you get started and most importantly following each step will save you a lot of heart ache in the long run.



2

Development Exit Strategy

Always start with the end in mind!

The most important part of a successful development is having a clearly defined exit strategy for how you're going to sell the stock that you intend to create.

Successfully pre-selling your project is one of the key ways you can de-risk it, and it's always prudent to have a range of exit strategies in advance of commencing any project. Most banks will require you to obtain some pre-sales for your project off the plan before they will allow you to draw upon any construction funding in any case.

Successful exit strategies begin with a deep understanding of your target market. This means you need to know who will want to buy your product and why.

Are you developing for owner-occupiers who have particular lifestyle demands? Or are you targeting investors – in which case you want to make sure your product has both tenant appeal and also stacks up from the investor's financial perspective (i.e. the rental yield and capital growth projections will need to be attractive).

Once you have clearly defined who will be buying your stock and what their demands are, then you can do some comparative research as to how similar product types have sold (in terms of sales prices, volume and days on the market) in your target area, to get a better understanding for the results you can also expect to achieve.

You also need to have a realistic understanding of the cost to reach your target market and ensure that you have budgeted the appropriate costs in your cash flow and overall feasibility.



The Number 1 reason developers fail is due to lack of adequately planning their exit strategies. So ensure you have a clear thought out exit strategies plan before commencing!



3

Where to Develop Property?

Location is a vital organ in the development world.

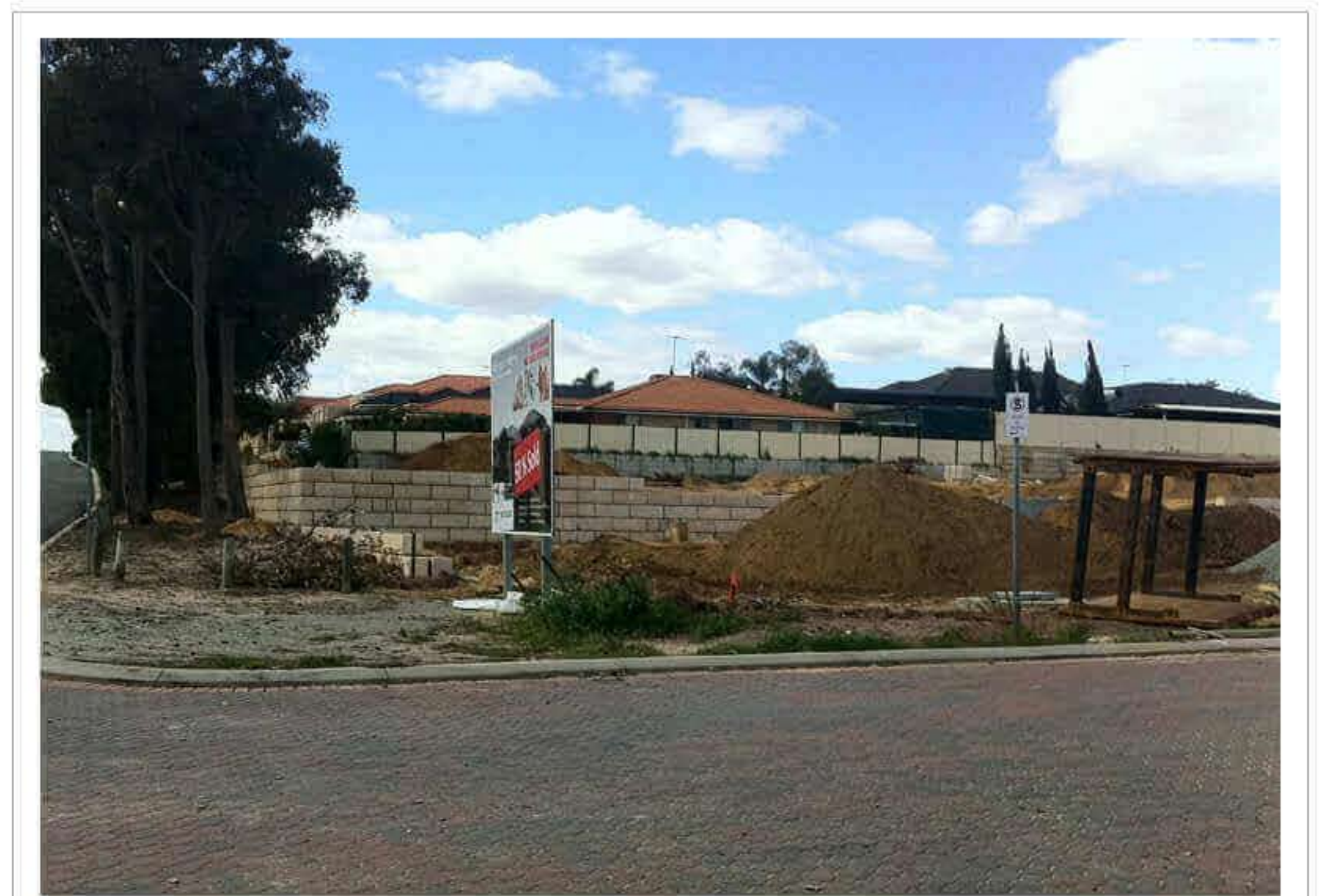
We focus on metro developments, bigger market means less risk, In fill sites are also good pick ups. Infrastructure, amenities, transport.... are all key focal points on deciding your location.

When considering a development site, put some thought into the following factors that really should be considered:

- ✓ The local market demand – what do people want to buy or rent in this area?
- ✓ Local economics – what is the income of the people living in this area, where do they work, what can they afford? What infrastructure spend is going on right now or planned for the area?
- ✓ Population growth – what is the growth right now and what is it forecast to grow to?
- ✓ Budget – how much have we to spend on the development process
- ✓ Market growth rates – what historically has this suburb been growing at and what are you expecting it to grow at?
- ✓ End values – what are similar dwellings selling or renting for now?

Choosing the right area in which to develop is crucial. It requires research, research and more research.

All these factors result in strong rental and sales demand. Once you've settled on a location, search the area for land in close proximity to schools shops and public transport which will attract buyers or renters.



Once you've found the area you want to develop in, it then comes down to good site selection. To get ready to assess a site, you will need to:

- ✓ have narrowed down your area or suburb where you want to develop
- ✓ completed extensive due diligence on the economic and social factors of the area
- ✓ know whether the suburb has a high rental demand
- ✓ know what the vacancy rate is and what the median sales price is
- ✓ understand district structure plans, local structure plans, development zonings
- ✓ know what the council will and won't allow in your area.

You need all this information to determine if the land you are assessing has good development potential... or not. The next step is to find the right property within your chosen suburb. This is called site selection.

The site selection criteria is based on a number of factors including:

- ✓ Location
- ✓ Aspect
- ✓ Slope
- ✓ Frontage
- ✓ Depth
- ✓ What's on top of the land?
- ✓ What's underneath the land?
- ✓ Environmental Issues
- ✓ History of the Property
- ✓ Bushfire Risk



📍 LOCATION

Location of your development site is obviously important, we all know that being close to community amenities is top priority whether you are planning to keep your new dwellings or sell them, being close to schools and universities, shops, transport and medical facilities is very important.

Ask the locals about crime rates and take a drive around the streets to get a 'feel' for the area.

Trust your gut feel or intuition; we often get an instant negative feeling if something is not quite right.

↗ ASPECT

Aspect is the direction the land faces; north, south, east or west. It's important to have the living areas of your development as close to facing north as possible to maximise natural light. Aspect is also very important for the energy rating of your development.

👷 SLOPE

The slope of the block is important. Most people think a dead flat block may be good for developing, whilst it may be better than a steeply sloping site but you may need to build up the site with fill and retain it to meet drainage issues.

So the ideal block will slope or fall slightly to the street which will assist with natural stormwater runoff and drainage.

FRONTAGE

A wider frontage or width of the block is usually desirable particularly if you are looking at a medium density development as you will be losing some of the width to a driveway to access the rear dwellings.

Some councils have a calculation as to how wide the driveway needs to be based on the number of dwellings. So make sure you have taken this into consideration and have a wide enough block.

DEPTH

Depth is important and will determine how many dwellings you may get onto the land. Be careful with very deep blocks as the deeper the block, the longer the driveway. A long driveway can add thousands to your costs.

You may also need to run services such as sewer, water, gas and electricity from the front of the block to the back, depending on where the connection points for these services are located.



What's on top of the land? For a quick assessment, take a look around to see how many large trees may need to be cleared, a mature gum tree can cost in excess of \$5,000 to remove, so if there are a few of these, you will need to allow more for your site clearing costs. Also look out for asbestos sheds on concrete slabs which are expensive to remove.

If there is an existing house that you plan to keep, check there is good access to the back of the block for the large site clearing machinery that may be required.

What's underneath the land? Is there a natural water course running under the land? The soil type is also important. In most cases, you won't know unless you commission a geotechnical report which is advisable to have done if after all your research you are sure this is the correct site. It may cost thousands to tens of thousands but worth every cent if it means you can more easily assess projects viability.

We all have the gut instinct feel that we listen too. Well if it doesn't feel right.... listen to that feeling and walk away no matter how fantastic the deal may seem. (Usual saying applies – If it sounds too good to be true it probably is!)

You'll also need to know the location of the sewer line, sewer junctions and sewer manholes as some of these may be built over but one of them most certainly cannot. You can request the sewer diagram from the agent or the local water authority. A detailed survey will show other important things so again, if you are serious about the site, get a detail/contour survey done as you will need this to have a builder or architect work on a design for your project.

There are many more things to consider for your site selection, so it's important you study what is required. Or engage other professionals to do this important work for you. A development project manager like JARDIM PROPERTY GROUP will be able to assist you with every stage of the process.



4

Consider Your Return on Investment

If you are selling this development property, you want to make sure that you get at least 20% on total development cost, the larger the site the higher the ROI needs to be. This does not include your IRR on equity.

If you are leasing the property, you want to make sure that you get 5% of a rental yield.

To determine the return on investment you would need to complete a feasibility study including profit and loss, categorised cash flow and a sensitivity analysis on all aspects of the project costings, income and timing.

Sitting down and thoroughly going through the financial aspect of the project is vitally important to ensure your utilising the best methods to create the best return.

Sometimes it might be financially beneficial to actually borrow more and leave your current \$\$\$'s where they are if the return on that is far great than the cost of borrowing.



Also the Tax benefit is something to be discussed and all financial decisions should be planned through your accountant or an organisation that specialises in maximising your return.

Don't listen to the well intended family and friends around you as they most likely send you broke anyway.



5

Never Overpay for Your Property

The reason your considering Property Development is you understand and can appreciate that it's a great way to make a profit. So why on earth would you want to pay full asking price for any property that you are purchasing.

By doing so you are simply reducing the amount of profit that you will get after everything is said and done. You want to be sure to purchase a property at a reasonable price to ensure that you will walk away from this project with a profit.

To make sure your not over paying you will need to reverse engineer your feasibility based on the expected ROI & IRR which will give you your residual land value OR otherwise you can also obtain a sworn valuation by an accredited valuer.

That is why it is important to know your numbers and have your walk away price. Conduct your feasibility study, assess all areas and stick to your target ROI otherwise you're the one that will be out of pocket.





6

Understand Your Market

Understand Your Market before Becoming a Property Developer.

You want to understand your market so that you can tailor your property to sell quickly. For instance, if you want to target your property for a family you need to make sure to consider the needs of a family.

You will need to pick a good location for families and make sure the house is set up with a family in mind. This plan will help you stick to your budget more successfully and will help you quickly sell the property. You would also want to consider the quality and location of local schools.



There is an old adage in real estate that there are only three important things to remember they are location, location and location! This old saying has validity for the homebuyer who is purchasing his or her own personal home to live in.

However, the property investor has two other important considerations and they are finance and management.

Location refers to where the property is situated in relation to features and facilities desired by its occupants.

It is the primary factor in capital gain performance and the rental income return of your investment. It needs to be considered at both macro (overall) and micro (street and suburb) levels.

The Macro level refers to buying in locations where there is good infrastructure i.e. on the spines of the city, along the coast, schools, shopping centres, public transport and locations that are going to give you high capital growth.

When considering the Micro level we look at exactly where the property is located. For example, is it on a main road where there is lots of traffic and noise? Is it backing parks or nature reserves? Does it have views? Is it on the right side of the street?

Price and growth can change depending on which side of the street it is on.



7

Get Property Development Finance

In order to become a property developer, you will need to make sure that you have all of the financing that you need to accomplish your goals.

Speaking to a specialist property development funding company or a bank would be of great use here because they can offer you advice on how much money you will need.

You should also remember that whatever money you put into this project, you are not going to get any of it back before you get to sell (or refinance) the property.

FINANCING OPTIONS

There are so many financing packages available and they can be tailored to your needs. You need the right financing for your specific wealth creation strategy. Let's summarise some major types of financing options available to you

1. Fixed Interest only

this is where you only pay the interest on the loan at a fixed price.

2. Variable Interest

this is where you are required to pay the interest as it moves up and down.

3. Split Loans

this type is a combination of two types of loans one part is interest only and the other part with a variable interest. It gives you the security of a fixed interest loan and the flexibility and benefits of a variable loan.

4. Vendor Financing

this is where the vendor carries back some of the purchase price for a period of time. I did this with one of my deals, I had the vendor carry 20 per cent of the property for 18 months interest free. By doing this I turned the property deal to a no-money-down deal.

5. Commercial Loans

this is generally used for business and commercial properties or when embarking on developments of this type. The best way for you to figure out and to get the right financing is to have a great finance broker to do the work for you.



Timing the real estate market is a task that baffles even professionals, making it no easy feat especially for developers. However, there are a few general rules that you can keep in mind when you are either purchasing or selling your development to improve your chances of a favourable, lucrative outcome.

Many people say it's easy just buy low and sell when it's high! In theory it sounds correct - Yet the current state of your area's real estate market must be taken into consideration to make this work for you.

One of the best ways to accomplish this is by working with an experienced real estate agent who is also knowledgeable about a particular region. A good real estate agent will not only have a strong working knowledge of the real estate industry as a whole, but will also know their local market inside and out.

There are three basic states of real estate markets to watch for:

Buyer's Market

Also known as a cold market, this situation arises when there are more homes listed for sale on the market than interested buyers. A general rule is that if there is over six months' worth of inventory on the market, it is a buyer's or cold market.

This can lead to average house prices falling, because fewer buyers lead to fewer overall sellers. As a result, sellers must drop their sale prices if they want to move their properties before the market warms up.



Seller's Market

On the other side of the equation, there is a seller's market or hot market. In this type of market, there are more buyers than there are properties for sale. This ensures that nearly every property in the area will sell quickly, due to high demand from interested buyers.

A hot market is characterised by less than six months' inventory on the market, and in some truly hot markets you'll see as little as only two months' worth of properties.



Neutral Market

The balanced state of the real estate market occurs when there is an equal number of properties and interested buyers. This may be due to the banks offering affordable interest rates, enticing buyers into the market.

There will be no huge shift in sale prices in a neutral market, and it tends to be characterised by four months of inventory listed. This type of market tends to be favourable for both buyers and sellers, giving them an even playing ground.

Thinking as a developer you want to be buying up opportunities when it's a buyers market! Reason being the vendors are in a more panick state of mind and if circumstances aren't favourable, there lies an opportunity. Property Developers want to be buying when everyone else is screaming..... market is crashing, because this ensures you wont be over paying for the property. YES you may need to sit on and hold for a few years to really obtain the growth value of the opportunity but here lies the developer secret BUT also can be the nightmare that comes to life if you haven't done you due diligence and followed the process.

LAG TIME!

You see from time of securing an opportunity to actually completing the entire project you can be looking at anything between 12-36 months depending on size of project.

This LAG TIME must be taken into consideration when assessing any opportunity as it will be detrimental to the outcome of the development. If you purchase in a sellers market and paid premium price and then during the course of your development the market moves downwards, you need to ensure you have enough buff to cover you and hoping at worst case break even on the project.

That's why TIMING is so so important.

If you want to be a smart and savvy investor, you'll need to develop a keen sense of knowing when the right time to act is. There are situations in business when you need to be patient and wait for the right opportunity to arise and there are situations when you need to act before it's too late!

It is vital to develop knowledge about the strategies of timing the market if you want to be successful.

Here is a great example of how timing can play a huge role in your business success. In 2004 I came across a property, which at the time was a development site. The owner/developer had purchased it about eight months prior and was in a hurry to make a quick profit of \$2 million by selling it. I liked the property but I decided not to buy it because it was too expensive.

Three years later, when the global recession was at its peak, the owner couldn't sell the land. He had worked on developing this property and now he was pressured to sell it because titles had already been issued for the new lots. Due to the economic crisis there were very few buyers and I realised that this was the moment I had been waiting for.

I knew that I could make a great deal of money with this property so I decided to act. I contacted the owner and secured an option on the land for 120 days for 15 blocks at 30 per cent below market value. We then decided to put the property on the market, but before doing so we made a smart business move to increase the property's perceived value.

To achieve this we included a house plan on the land so we could sell the lots as turnkey house and land packages, including all of the furnishings. The potential buyers didn't have to spend the time and effort looking for a builder and then getting them to design house plans that would work for the property.

This option made it more attractive to potential buyers compared to simply buying the land. We were also able to get a good build price due to the volume of properties being built and it was a great investment for the buyers as they ended up with instant equity once the house was completed.

The deal turned out to be a great success and we were able to sell 14 of the 15 lots with a really good profit.

So what is the moral of this story?

There is always good money to be made, even, and especially in an economic downturn!



Work Alongside a Developer to hone your skills and knowledge in the Property Development field.

The list of mistakes made by rookie developers is endless. And the scary thing is that a property development mistake can often cost thousands if not hundreds of thousands of dollars!

To minimise your chance of mistakes and set yourself up for success, associating yourself with a professional team whom do projects on a daily bases for themselves, for their clients, and for their investors, could be a very wise decision. This way your insuring your project is going to be a success from the get go.

The team at Jardim Property Group follow a very strict and analytical process with each and every project they review to ensure nothing has been left to chance.

If you'd like to discuss more about how Jardim Property Group can help you with your next project, simply give us a call on **9467 9594** or email info@jardimpropertygroup.com.au to arrange a no obligate confidential discussion.

Happy developing!



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