

Makeover Magic

1. Choose your **target area** – this should be either the area you live in or the area in which you wish to live.
2. Set a **financial goal**, e.g. (\$25,000 - \$50,000) for your transaction in accordance with your 7 Year Plan. This should be your Goal, not someone else's Goal.
3. Obtain from **council the DCP** (Development Control Plan), LEP (Local Environmental Plan), zoning maps and find out if there are any other relevant documents e.g. medium density, commercial, etc.
4. Decide what **type of transaction** you are going to focus on i.e. makeover, buy renovate and on-sell, option – add value and sell option in 6-12months, sub-division, DA for new development, etc.
5. Start to **research the area** for your chosen transaction. Arrange to receive the relevant email alerts and publications for sourcing of real estate in your chosen area. Part of this research is becoming familiar with your area by attending open homes and auctions.
6. Over time build a **relationship with the agents** that you would like to work with, knowing that some of these agents may work on your behalf, as acquisition agents and others may sell for you.
7. You may need to look at over **100 properties** and complete 100 detailed feasibilities to secure a transaction that meets your criteria. This will be the most valuable way to create your database including sale prices, photos, land size, condition, potential etc.
8. Utilise **RP Data** to verify all relevant comparable sales for your feasibility.
9. Determine what type of **company structure** is best suited for you from a profit distribution, protection and tax point of view.
10. It is important to determine the **vendor's motivation** to enable you to structure a win/win/win situation for the vendor, real estate agent and yourself prior to negotiating.
11. The vendor should be **informed** at all times of what your plans and requirements are for leasing, subleasing, DA approval or renovation.
12. In completing your feasibility you should have at least **five exit strategies**, some examples are: a) Selling your option fee b) Selling your DA approval c) Sale by direction d) Exercise your option e) Sale after renovation f) Build and sell
13. At this point you must **STOP** and consider the financial consequences of your next move – DO NOT ever commit to a transaction beyond your means. Know the financial commitment of all members of your team.

14. During this stage you should also be building your **team** of consultants and engineers who will assist with your feasibilities and help determine the viability of potential sites.

15. The feasibility will also assist with determining if any finance or money partners are required.

16. When you find **a transaction that works** – this could be 20% profit on transaction or may be annualised depending on the type, length and risk involved in the transaction. Your offer should be submitted in writing.

17. When your offer is accepted you should have your **solicitor make contact** with the vendors solicitor with a view to arranging the documentation for the option and contract

18. The contract is critical as it has **information** such as – easements, services, site survey, council compliance and any special conditions of sale.

19. Now let's use the example of an option to purchase a property that is in need of renovation and is able to be sub divided. Determine who will project manage the site. This could be you or an architect, surveyor or private town planner. Let's use the architect. We are choosing a fairly complicated transaction to cover as many factors as possible. We recommend if you are new at this, to start with a very simple transaction, such as a makeover, making minimal renovations (\$5,000-\$10,000).

20. The following costs are a guide only and are based on a property value of approximately \$500,000.*

21. Once all relevant reports and plans have been carried out, you are now ready to lodge the DA. The architect on your behalf can lodge your application.

22. In most cases your application will then be notified to adjoining neighbours, advertised in the local newspaper, and locally by a sign being placed outside the property. After the advertising period of usually 14 - 21 days and taking any submissions from the public into consideration, council will continue its determination process. The determination process may involve several departments at council, including

- a. Development control
- b. Landscaping
- c. Engineering
- d. Heritage
- e. Bush fire consultants
- f. Ward Councillors

23. If an appeal is lodged against conditions of consent the Court becomes the consenting authority, which means you rely upon the court to approve your DA.

24. The process of lodging with court is simply a case of filling out an application form, providing copies of any plans or reports that have been lodged with council and paying an application fee of approximately \$600.

25. The whole process could take several months and cost from \$25 000 to \$150 000 or more.*

26. Once your application has been approved you will have conditions of consent set down which will have to be complied with, some before and some during construction. Some the standard conditions are – Tree protection measures required.

27. Any services easements required to be created and registered.

28. Drainage requirements.

29. Relocation and separation of services.

30. Section 94 contributions. Fees payable to council for local amenities e.g. car parking, parks, open space and other community facilities.

31. Section 73 compliance certificates from Sydney Water to determine design

32. Requirements for sewer services.

33. Signage required on the site e.g. danger or builders details

34. Dilapidation report on council and privately owned assets.

35. Hording or fencing required

36. Time and noise restrictions for building works

37. Insurances required

38. Upon completion of the conditions required you would receive a construction certificate enabling you to commence work. You must not commence any construction work until a certificate has been received.

39. At this point a decision needs to be made on whether you wish to sell the site as is, renovate the house then sell it and complete the new home, or sell the newly created land.

40. Consideration should also be given to whether you wish to proceed by selling your option to purchase the whole site, or whether sale by direction is preferred.

41. We will work on option of renovating the home and selling it as well as selling the vacant block of land.

42. Your solicitor should now draft two contracts for sale.

43. Upon exchange of Contracts for Sale, one copy of the contract is retained by the vendor's solicitor and one by the purchaser's solicitor. This will prove either party's undertaking of commitment

44. Settlement time – this may vary depending on your financial needs, tax planning and the needs of your purchaser.

45. After the more important terms and conditions finally the price.

46. The renovation can be listed for sale off-the-plan during the building works for speed of sale or you may choose to list upon completion and certification of works.

47. Your profit will equate to the net sale price less development expenses minus the original agreed purchase price.

Warning: This document is a Guide Only. Participants must seek independent advice.

The Real Estate market is a very volatile market and can swing very quickly.

It is affected by interest rates, market trends, driven by emotions, oversupply, and market sentiment, a whole range of situations beyond the control of the purchaser or vendor. It is extremely important when you undertake a real estate transaction to minimize your losses and that is why it is advisable to use options as much as possible.

The option in turn tends to identify the financial exposure and contain it subject to any other commitments you make such as architectural fees or lodgement fees with council, etc.

In making this qualification above, when you go into any transaction, it is extremely prudent to identify the amount of money you are prepared to expose as not only are you responsible for that amount of money, you are also responsible for any other undertakings you may have made.

There are large sums of money involved and great responsibility and it is prudent that you do your research very carefully and it is highly recommended that you check in with your solicitor, accountant and any other trustworthy advisors.

This warning is set as a general statement, not to be considered as advice, more for prudence, as it is easy to lose money in transactions such as these when you are not fully focused on the project and inexperienced in your obligations.