

SMALL PROJECTS BIG PROFITS

What do you get with a cosmetic renovation, a battleaxe block, a subdivision and a duplex development? Happy small-time developers sharing their tales of conquest! API gets the practical lowdown so you can follow in their footsteps.

DINAH LEWIS BOUCHER

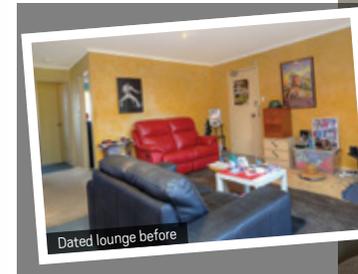
It's the stuff property dreams are made of. Buy a rundown house with potential, complete a small renovation or straightforward subdivision and reap the financial rewards! Perhaps complete and repeat a few more times until you become so confident in your deal-making abilities, you bid farewell to the day job!

If you've been spending your working days dreaming about your own

development deal but aren't sure where to start, we've got four stories of project success – from first-timers to seasoned pros – to inspire.

We've also hit up the experts who put these ventures together regularly for their pearls of wisdom.

So, get comfy and dig in, because next time it could be you sharing your profitable property project with us all.



Dated lounge before



Lounge of luxury after

PROFILE * THE RENOVATION



THE DEAL:
Cosmetic renovation
PROFIT: \$97,593
PRE-RENO VALUE:
\$252,500
POST-RENO VALUE:
\$380,000
LOCATION:
Palm Beach, Gold Coast, Qld

While many property heads may dream of what it would be like to renovate and profit full-time, Daniel Fulthorp and Melinda John are living that dream.

"We love renovating. It's like we get something that's old, worn out, that no one wants to live in, and transform it into a work of art which people fight over and throw money at us to buy," Daniel says.

This is the first project the couple have taken on in their official occupation as full-time renovators. Their focus was a cosmetic renovation – superficial improvements, no structural changes and no council approval necessary.

The pair describe the renovation as "smooth sailing" – truly, the hardest part of completing the project was ignoring all the naysayers!

"Don't listen to negativity and fear-based responses – we got it from everyone around us saying it's too hard and we shouldn't be doing it. There were very few supporters," Melinda says.

They stuck to their guns, and each other, knowing they could make it work.

■ WHY PALM BEACH?

Other than obvious reasons of an ocean swim come lunchtime, the couple picked this suburb following three months of extensive area research.

"We didn't really have to do much in the way of selling – the property sold itself!"

"Palm Beach is a gentrifying suburb, growth is moving outwards and this suburb is next, plus there's a lot of infrastructure upgrades and new developments going on," Melinda says.

"[After] three months conducting pricing due diligence, we knew what renovated properties were selling for here versus un-renovated properties, which helped us know the potential profit margin from the outset."

■ THE GEM

An original-condition apartment with 20-year-old fixtures and fittings listed for \$270,000 caught their attention.

With the median unit price in Palm Beach at \$350,000*, settling the property for \$252,500 was a calculated steal.

"The positive on-sell features we planned to capitalise on were the open plan living, lots of natural light, a large balcony, private outlook, and it was located close to beach, schools and transport," Melinda says.

■ THE NUMBERS: DANIEL AND MELINDA

Description	Costs
Purchase property	\$252,500
Buying/selling costs (stamp duty, land transfer, building and pest, marketing/advertising, legal)	\$7993
Renovation costs	
Electrical	\$3200
Plumbing	\$650
Kitchen and bathroom	\$10,325
Bedrooms, living room and balcony	\$4939
Renovation subtotal	\$19,114
Sold furnished – some new furniture and accessories purchased	\$2800
Holding costs, rates, interest, insurance (purchased outright – no banks)	\$0
No agent commission	\$0
Total cost	\$282,407
Sale price/value added	\$380,000
NET PROFIT	\$97,593

■ THE RENOVATION STAGES

Following the golden rule for cosmetic renovations, the couple's reno budget was 10 per cent (\$25,250) of the purchase price, but like seasoned pros they came in under budget, exhausting only \$19,114 on the renovation. To save in labour costs, the couple were on the tools and did the majority of the work themselves, excluding the requirement for licensed trades such as the plumber and electrician.

The kitchen: A flat-pack Bunnings kitchen was installed to update the heart of the home.

"We replaced existing tiled flooring in the kitchen and carpeted living and



Kitchen before

bedrooms with a 'spotted gum' laminated floor," Melinda says.

Downlights were installed throughout the apartment along with remote-controlled ceiling fans. Outside, they painted the balcony.

Bedrooms: Floor-to-ceiling mirrored doors replaced old vinyl wardrobes to make the bedrooms appear larger and reflect light.

The bathroom: What the couple describe as the most challenging part of the renovation.

"The slope of the bathroom floor created water drainage problems that needed to be rectified, plus there was no window," Daniel says.

"We installed downlights and an extra mirror to reflect light.

"We laid 600-millimetre by 300-millimetre tiles vertically to create the illusion of a higher ceiling."

To save money, the couple kept the original vanity carcass and added custom-made doors and a vanity top to match the kitchen.

"Some property styling items were



Kitchen after

RENOVATION TIMELINE	
Contract buy	25 Jun 2015
Settlement buy	9 Jul 2015
Renovation start	13 Jul 2015
Renovation finish	Ready just before Christmas, but due to Christmas/New Year holidays and the market slowing down during this time, they decided to wait until the new year to sell
Contract to sell for \$380,000	10 Feb 2016
Settlement	7 Mar 2016

purchased new, while others were our own, pre-loved furniture. We ended up selling the property furnished and making a profit on that, too," he says.

In turning trash to treasure, the couple found a TV cabinet on the side of the road during a council clean up.

"It was in perfect condition and matched the unit flooring perfectly."

In a renovation course the couple had previously completed, they learned to recycle and reuse whenever possible.

"We used palms on the balcony from a previous garden. The outside balcony light was originally the toilet light."

Daniel says they also saved themselves "thousands of dollars in commission" by selling their property through a virtual agent service.

"By researching the market and interviewing real estate agents we knew what the market value for the property was. We didn't really have to do much in the way of selling – the property sold itself!

"The buyer fell in love with the styling and bought the place furnished," Melinda says.



Bathroom after



Bathroom before

LESSONS IN HINDSIGHT

- **Demolish everything day one, not as you go.** "We were constantly cleaning up mess and dust. Next time all required demolition work will be done at the start," Daniel says.
- **Don't paint walls before finishing demolishing.** "We painted early on in the renovation, but the bathroom strip-out wasn't complete and created excess dust from cutting tiles, which settled on the walls. Touch-ups were needed where the paint was damaged during the renovation process."
- **No toilet – no problems.** "We went a week without a toilet while tiling and before installing a new one," Daniel says. The couple say there were benefits here, as having no toilet gave them a regular excuse to run down to their local coffee shop to use the restroom as well as settle the caffeine cravings.

The couple styled the place themselves, so seeing the amazed looks on the faces of potential buyers at viewings and listening to their feedback was fulfilling.

"Seeing the excitement of the buyer who secured the purchase from us was priceless!"

Selling for \$380,000 saw the couple pocket a tidy \$97,593 profit.

Settlement to settlement was an eight-month project, although the pair say the actual work was only five months.

"Christmas extended our timeline. We plan to turn the project around quicker next time."

Proving they're onto a good thing, the couple already have their second Palm Beach apartment under contract.

"What a lot of fun we have! And at the end of the day we walk hand in hand down to the beach to earth ourselves in the sand and watch the sun set over the horizon. Yes, we're living the dream!"

*Data source Australian Property Monitors. Unit prices 12 months to Feb 2016.

PROFITABLE SMALL RENOVATIONS

Renovating for Profit founder and TV renovator Cherie Barber says if you're doing the "buy, renovate and sell" strategy there's greater value to be achieved from renovating houses over units, however the latter do have an upside.

"Units are quicker and typically lower scale jobs. They're small in size, you can get in, get simple jobs done, add value and get out faster," she says.

In order to profit like Daniel and Melinda, Barber's tips for creating glamorous kitchens and bathrooms for minimal outlay include:

- Keep the existing kitchen and bathroom and cosmetically refresh.
- Use items such as laminate paint on the existing cupboards and resurface the bench tops.
- Apply tile paint in both kitchens and bathrooms.
- Kitchen flooring – save in labour costs and time. Don't rip out the existing tiles, apply straight over the top with vinyl flooring. The vinyl self-adhesive floor planks are highly recommended.
- Swapping the fixtures and fittings in your kitchen: Swap the old wooden door handles for chrome handles instead.
- Update your appliances. Keep the same size but swap the old for newer versions. Typically if you do this, Barber says it's possible to refresh your kitchen for around \$1000 and not \$10,000 for replacement.

"In my experience the value of a cosmetic refresh will typically triple your spend – between three to five times return on investment is what you should get back.

"If I spend \$1000 on a kitchen refresh, the valuation will typically come in a minimum of \$3000 higher, sometimes up to \$10,000 if the quality of the refresh is done well.

"The uplift also largely depends on the location of your property and how your kitchen compares to what's typically in the suburb."



Cherie Barber

SECURING TRADES

Television host and interior designer Shayna Blaze says if there's one thing she wishes she was told about renovating when starting out it's "never assume anything".

"When you're getting a quote from trades, have in writing what you're asking to be quoted so there's no room for interpretation of the finish you're wanting.

"When having a bathroom quoted, know if you're having trims to the tiles. Are you mitring the tile edges and are you having a niche in the wall?"

"There's a huge difference in pricing on how things are finished off so be specific as you mightn't end up with something you thought you were getting, but being disappointed in the end."

So, how does the television personality ensure her trades are reliable?

"Ask people in your area who've had renovations and who they would recommend. Don't be afraid to approach a builder who's working on a house close by for their contact details.

"If you have trades and contacts in the area, you're more likely to get somebody who's accountable."

Blaze recommends getting quotes – not estimates – before you start on a project, and also looking at a fixed price rather than an hourly rate.

"If you're renovating kitchens, bathrooms or knocking down walls, have a contingency in your back pocket as there's always something unforeseen that can happen.

"Also, make sure you're 100 per cent happy with the design and the surfaces you're using before you've locked in a price, as variations can end up adding on up to 30 per cent of a renovation," she says.

Be aware of product order timelines, too, as some supplies can take two to 10 weeks to arrive and cause delays, Blaze explains.

"Buying items before the build starts and having them ready reduces delay. You can't control the weather but something as simple as having your renovation in the months that have the least rainfall helps."



Shayna Blaze



Bedroom after

PROFILE '12
HOME PROFITS



THE DEAL: Battleaxe subdivision
THE SITE: Large property with existing house
NET GAIN: \$168,344
TIMELINE: 15 months
LOCATION: Arana Hills, Qld

First-time developers Peter and Christina Baumann couldn't be more pleased with the outcome of their first property project.

While searching for the right property, the brief they sent out to real estate agents was:

- ▶ A property with an existing dwelling – either a corner site to subdivide from the side, or a block with enough side access where the rear of the lot could be subdivided;
- ▶ A lot size of more than 800 square metres.

This is how they found and purchased the perfect starter property with side access – AKA battleaxe potential.

It was a high-set 1970s two-bedroom house sitting on a 1222-square-metre block in the northwest Brisbane suburb of Arana Hills.

■ OFF-MARKET DEALS

The couple actually nabbed the property before it went to market, so how'd they do that? After putting in a few offers and missing out, an agent approached Peter saying he had an off-market deal suiting their search criteria.

"It's not until you start putting in offers you appreciate how performing that action creates momentum," he says.

"Agents might say, 'No. That property's no good for you, but how about this one we're about to get to market?'"

"I'm yet to get a property under contract from finding it online – it's always the leads that come from making offers and having those conversations."

Before settling on the property, Peter engaged a town planner, an engineer and a surveyor to confirm the site was appropriate for subdivision. He included enough clauses in the contract to ensure he could terminate if it wasn't.

■ KEEP IT SIMPLE

In the project's planning stage, Peter entertained several ways to approach the venture, ranging from building on the newly created lot, to moving the house further back on the block to enable a split down the middle.

Overwhelmed by the options, he ran the ideas past his mentor.

"After looking at the complexity, weighing up the risks and rewards, and some great advice from my mentor, we decided to keep it simple for our first project and simply renovate the house, create a battleaxe block and sell.

Moral of the story in developing: protect your interests and, where possible, reduce risk. This means, get in, get out and, most of all, get your money homey.

■ THE RENOVATION

In line with keeping it simple, the renovation was kept cosmetic.

"I consider myself moderately handy

THE NUMBERS: PETER AND CHRISTINA	
Description	Costs
Purchase price	\$470,000
Buying costs, (stamp duty, conveyancing, bank fees)	\$6673 (This was Peter's first property purchase, bought with his wife who'd purchased a property, so his half got the stamp duty concession for first homebuyer)
Surveyor and engineer fees	\$11,779
Renovation costs	\$35,654
Services installation (sewer, water and stormwater installation fees, Queensland Urban Utilities fees, completed surveys and registrations. Includes driveway)	\$61,465
Demolition costs (asbestos removal, demolition approval, power abolishment and sewer capping)	\$3049
Selling costs (real estate commission (on one lot only), split titles, conveyancing, bank loan fees)	\$10,000
Holding costs (bank interest, rates, insurances)	\$5799 (estimated taxable portion, have halved real interest as the house was principle place of residence)
Other site costs (fence installation, rubbish removal, etc.)	\$2254
GST	\$9983
Total cost	\$616,656
New value of house	\$450,000
Sale price of rear block	\$335,000
Net gain	\$168,344

but I'd never completed a renovation before," Peter says.

"I certainly wasn't above paying someone for their experience. We engaged renovation consultants to assist with a renovation plan.

"The major challenge with the reno was the coordination of trades. Some trades were great, others were completely unreliable."

The couple came in around budget on their renovation, however as they decided to move into the house, a few additional dollars were splurged just to give it that extra homely feel.

■ THE SUBDIVISION

A process Peter describes as "a huge emotional rollercoaster"; the subdivision was an area in which he was totally reliant on his team of professionals.

"I can't stress enough how important it is to have a great team around you."



Peter's tip here: Be vulnerable. "I made a conscious decision at the beginning not to pretend I was experienced. This isn't the time or place to 'fake it 'til you make it,'" he says. "I was better off being vulnerable and letting professionals know this is my first subdivision. I needed them to explain everything to me in layman's terms and not assume I had any prior knowledge."

■ COMMUNITY FEEDBACK

Overall, the neighbours were supportive... but there's always one that causes trouble.

"There'd been a lot of interference by the local member due to friends of his in the street not wanting the subdivision to go ahead."

Peter says it felt like they were turning the process into "a bit of a chess match".

"I have to say the council were great to deal with – they let me know I wasn't the first to experience this type of 'involvement' while completing a project in that particular area."

Given the local member's objection, the day Peter presented before council and was granted subdivision approval was undoubtedly a project highlight.

"It was quite a stressful time, and the reality was there hadn't been a lot of pushback from the community. I had a great town planner who helped support the project throughout.

RENOVATION TIMELINE	
20 Jan 2015	Contract signed
21 Jan 2015	Engaged town planner, engineer and surveyor to ensure site suitability
22 Feb 2015	Purchase property (settlement)
8 Mar 2015	Overgrown trees/shrubs cleared
17 Mar 2015	Decided on battleaxe subdivision instead of moving house back to enable splitting block down the middle
26 Mar 2015	DA submitted to council
13 Apr 2015	Renovation starts (kitchen and laundry removed)
17 Apr 2015	Shed demolished, concrete in back yard removed, yard levelled. New kitchen installed
20 Apr 2015	Acknowledgement Notice received from council
4 May 2015	Extension of council's information request period
14 May 2015	"Sleep out" demolished and opened up to create front verandah
27 May 2015	Back lot increased to 800m
3 Jun 2015	Public notification sign erected (the fun starts)
1 Jul 2015	Floorboards finished
20 Jul 2015	Painting finished
26 Jul 2015	Moved into house
8 Aug 2015	Presentation during the community comment session at the council meeting (local member had the subdivision called before council to try and have it rejected) – subdivision was approved
15 Sep 2015	Back block goes under contract for \$323,000 conditional of title registration by December 16, 2015
2 Dec 2015	Civil works commence, sewerage and water connected
16 Dec 2015	Contract for rear block fell over
20 Jan 2016	Back block goes under contract for \$335,000
4 Feb 2016	Driveway completed
3 Mar 2016	Final certificates of completion received
30 Mar 2016	Council confirms all DA conditions have been met and endorse survey plan
4 Apr 2016	Titles registered
4 Apr 2016	Front block with house valued at \$450,000
20 Apr 2016	Back block settles (\$335,000)

"Ultimately, challenges are going to come your way – you've just got to keep cool and think practically."

The newly renovated house (on a now smaller lot) was revalued at \$450,000, which felt pretty good, considering the Baumanns snapped up the original property for \$470,000.

Total costs of the project came in at \$616,656, which saw the couple make \$168,344 profit on their very first development project.

■ SUBDIVISION DEALS



"Think big and start small" is the motto of Advanced Property Strategies founder Nhan Nguyen when it comes to profiting from property deals. "I started doing splitter deals and then townhouses with blocks of three, then to blocks of six. I always say to people, growth is organic but you've got to start with the small stuff."

Nguyen says two important factors when locating suburbs suitable for subdivision deals are:

- ▶ Knowing the minimum lot size permitted by council
- ▶ Knowing the zoning.

"This way you can focus on properties that allow you to do subdivisions. For example, if the minimum lot size is between 300 square metres and 400 square metres, then look for 800-square-metre-plus sized properties based on that mathematical calculation."

■ SECRET TO SUCCESS

No matter how diligently you may plan, challenges and unexpected (not so pleasant) surprises tend to arise during property projects. However, when crunch time hits, there's a little mindset secret to help you avert crisis mode.

"If you look at the consultants, the engineers, the town planners, the surveyors – they've actually got the skills and can access the information to do subdivisions," Nhan points out. "The question is – why aren't they doing it themselves?"

The answer, he says, comprises two things: mindset and risk.

"The consultants get paid regardless, and may not be willing to take the risk.

"That's why you need the mindset to stay focused and assess the risk – there's debt involved, you've got interest to pay and you've got capital and other outlays. Know that your job is to judge the risk and manage it."

"It certainly kicks us off into the next project. We've got the ability to fund another deal ourselves."

In more good news, despite loving their newly renovated home, Peter and Christina have just decided to sell as they're excitedly expecting their first child together. Needless to say they're seeking extra space – a search made easier with cash in the kitty.

"It's certainly a great time to have that sort of profit come through. I feel like we're kicking some good goals."



Driveway going in



Digging in for the back lot

PROFILE '13
WOMEN ON TOP


THE DEAL: Duplex development & subdivision
EQUITY GAIN: \$106,198
STRATEGY: Buy and hold
LOCATION: Newcastle, NSW

They say you can have everything you want in life, just not all at the same time.

If you're like Karen Brownlee and Katie Ferro – time-poor but with development aspirations gnawing away at you – this is your story.

Close friends Karen and Katie are two corporate women leading busy lives juggling families and careers. But that didn't stop them gaining \$106,198 in equity from their first development project... with a bit of enlisted help.

So, how did the pair make their property dream happen?

"We'd broached the idea years ago – 'wouldn't it be great if we could do something together?'" Katie shares.

"The thought of sharing the financial burden along with the risk profile together really worked for us."

It was after attending a women's property forum five years ago that the seed for them to do something jointly was planted. The main setback, however, was time, so the ladies enlisted the help of a professional project manager they'd met at the forum all those years ago.

"She just stayed in our minds," they say. "After our due diligence and research, we knew we wanted to work with her."

Their trusty project manager handled the project from the beginning, starting with sourcing the location, the project analysis and feasibility for the potential venture – which suited the pair perfectly.

■ SITE SELECTION

Newcastle was the chosen location, in which their grand plan of owning a duplex would be realised.

"It's continuing to grow and develop, employment opportunities are expanding, there's continuous



The duplex

THE NUMBERS: KATIE AND KAREN		DEVELOPMENT TIMELINE	
Description	Costs	Date	Event
Purchase development site – land for dual-occupancy project	\$265,000	7 Oct 2014	Exchange on land
Entry costs (stamp duty, legal fees)	\$4993	10 Oct 2014	Settlement on land
Construction cost to build two attached three-bedroom, two-bathroom, villas. Cost includes surveys, geotech report, design, plans, planning costs, council fees and charges, engineer plans, private certifier costs, turnkey construction (includes landscaping, driveways, fencing) and Torrens title subdivision costs	\$468,549	17 Oct 2014	DA lodged with council
Rebate from land developer	-\$5,000	13 Feb 2015	DA approved
Project management fee	\$65,260	6 Mar 2015	Construction certificate application lodged
Other costs: interest holding costs (tax deductible)	\$15,000	19 Mar 2015	Construction certificate issued
End value of each villa (\$460,000 each (\$920,000 total))		Mar 2015	Applied for construction finance
Equity created	\$106,198	9 Jul 2015	Authority to commence building received from lender
Rent received	\$470 per week per villa	1 Jul 2015	Site cut
		14 Jul 15	Slabs laid, construction works commenced
		23 Dec 15-18 Jan 16	Christmas break
		23 Jan 2016	Practical completion inspection
		5 Jan 2016	Occupation certificates issued
		11 Jan 2016	Depreciation schedules issued
		23 Dec 2015	Handover after final payment received by builder
		8 Jan 2016	Villa 1 tenanted
		11 Jan 2016	Villa 2 tenanted

investment in infrastructure and it's close to Sydney," Karen says.

They purchased a block of land in a new estate for \$265,000.

"Karen and I used equity in our own properties to borrow against for some of the loan, such as the land and project management fees. Then we needed a construction loan together for the actual build," Katie says.

■ THE PROJECT STAGES

The two women had to sign off on each step, while their project manager coordinated each stage along the way.

The phases included:

- ▶ Design – the concept plan, then full DA plans and preparation.
- ▶ Pricing – three builder's tenders were completed at concept plan, development application (DA) approved plans and then finally on

construction certificate (CC) plans, with the final tender forming part of the builder's contract.

- ▶ Planning – obtaining the DA and CC.
- ▶ Finance – finalising construction finance (this can take a long time as banks can be slow).
- ▶ Construction.
- ▶ Handover and tenant procurement.
- ▶ Subdivision registration.

Both ladies agree the construction finance was the most difficult part of their experience.

"There were no issues with finance, the banks were just a bit painful to deal with and very slow," Karen says.

"In our case it took four months."

The project was completed and handed over within 14 months of settlement on the land. This included a four-month finance phase and the three-week Christmas break. The end

result: two attached three-bedroom, two-bathroom villas the ladies describe as "gorgeous".

"We were so happy with the outcome," Karen says.

There was also another thing to be happy about... the numbers! The total cost of the project came to \$813,802, while the final value for both villas came back at \$920,000 or \$460,000 each, ultimately creating \$106,198 in equity on the property. Katie and Karen are two very happy ladies with plans of holding their villas for the long term.

■ DEED OF PARTITION

While the good friends entered into the joint venture together, it doesn't mean they'll be lumbered with each other's finances forever.

“The thought of sharing the financial burden along with the risk profile together really worked for us.”

"We're in the process of separating titles of the duplex so that Karen and I each own one unit. As they're both exactly the same we chose who would get each unit by tossing a coin!"

Another highlight for the pair is that they didn't endure the usual stress handling a development project over the past year.

Who said business and friends shouldn't mix?

Their friendship and working relationship is as strong as ever.

"We have a high degree of trust for each other, after going through so many scrapes ourselves over the years," Katie says.

"It's a really good feeling to have a friendship like that," Karen adds.

THE DUPLEX DEVELOPMENT

Jo Chivers, director of Property Bloom, says there are a few key reasons to start, and even stay, small in the developing game.

"We're assessing sites all the time, but what's interesting is often when we compare the smaller, dual-occupancy projects with the larger development sites (four townhouses plus), the numbers just don't stack up as well as smaller dual-occupancy sites from a return on investment perspective," she says.

"I think it's really great if you're starting out to begin with the smaller developments to cut your teeth on, because you'll get a really good understanding of the whole development process.

"Whether you're developing small or large, the process is very similar, albeit a much larger scale for the higher density projects, but you go through the same phases.

"Plus, your outlay is less on smaller developments, so they're easier to finance."

If developing unit and townhouse blocks is your ultimate goal, Chivers says the best place to start is a dual-occupancy project.

"Either a duplex or two freestanding dwellings is a good starting point. A duplex is generally cheaper to build because it's one building, but you've got two separate attached dwellings.

"This also gives you the flexibility at completion to keep one, sell one or hold both as they'll both end up on their own separate title.

"Subdividing, particularly by Torrens title (which is what we always strive for), adds value and gives you flexibility."

The first step is securing the land.

"You need to secure it at a decent price and in a good location close to community facilities like schools and shops. In New South Wales at the moment, government offers a \$5000 rebate to people buying land to build new property."

STICK WITH ONE COUNCIL

Chivers recommends targeting the same local area.

"If you're starting out with developments, stick with the one council so you really become an expert and understand their requirements. You'll also become familiar with what their fees and charges will be.

"This'll help you quickly assess sites so when a good piece of land comes on to the market, you'll know if you can develop it, how many dwellings you can build, estimated costs, and you'll be able to move quickly."

A builder can make or break your development, so how do you find the right one?

"The worst thing that can happen is for a builder to go into liquidation while they're halfway through your project," Chivers explains.

Even though there should be insurances in place, time is money and you can't claim back lost time.

"Some of the little tricks I've learnt when looking for a builder are to talk to the sub-contractors that work for [them]. If you can, go onto one of the building sites they're working on and have a chat to the plumbers, the carpenters and the brickies.

"Just ask them how they like working for that builder. Do they get paid promptly? That's the first indicator.

"If they've worked for the builder for a long time it's a good sign. Talk to past clients, ask for references.

"Check the builder's licensed on the Department of Fair Trading website.

"You can also see if there've been any claims or complaints lodged against them with ASIC."



Jo Chivers

“If you're starting out with developments, stick with the one council so you really become an expert and understand their requirements.”



PROFILE 'S

SUBDIVISION SUCCESS



The finished product in all its glory

THE DEAL: Subdivide one into three
PROFIT: \$150,000
TIMELINE: 10 months
STRATEGY: Develop and sell
LOCATION: Capalaba, QLD

Leon and Cat Weber don't wait for the stars to align, they make it happen. The couple profited \$150,000 from their property deal (while successfully juggling three other projects) but originally it was this property that got away. While still in negotiations with the vendor, an interstate investor swooped in and snatched up the property right from under their noses. But in a lesson in persistence and not letting go of a good thing, the couple continued to touch base with the agent just in case that first contract fell over. "We called the agent every single week asking, 'Has

it gone unconditional?' but he'd respond, 'No, they've just extended again.'"

Thinking outside the box, Leon called his solicitor and asked him to draw up a custom "back-up" contract and had the vendors sign it. It basically would terminate the existing contract and activate the Webers' contract should the other buyer request another extension.

"The vendors were upset because they'd already bought another place and had needed this to settle to move on. Signing our back-up contract was a win/win for both of us," Leon says.

Following yet another extension request from the first buyer, bang – the property was officially Cat and Leon's.

"In property, you build up a reputation – if you do what you say you're going to do, people respect that," Leon says.



■ THE DEAL

The property consisted of a basic four-bedroom house set across an expansive 2084-square-metre block in the Brisbane suburb of Capalaba.

"The couple planned to divide it into three lots, renovate the existing house and sell off the three newly created titles for a healthy profit.

"Instead of subject to development application (DA), I did subject to allowing me to lodge the DA but I'd already done all the legwork, so I'd already spoken with planners and surveyors. I felt pretty comfortable about getting it through," Leon says.

Within days of going under contract, the couple had all their consultants ready, long before going unconditional.

"I got an engineer onsite to visit. For \$300, that's money well spent," Leon says.

"We got the development approval before we settled. I think I got it in 35 days, when we had a 49-day settlement."

Just because they could, the couple took multiple overseas vacations while overseeing this project. They were in South Africa on safari when the DA for the three new lots came back.

■ HURDLES SMASHED

Council wanted to resume part of the couple's land at the rear with street frontage.

"We expected it to be about 100 square metres of resumption but it came in at 200. They were widening the road from a 15-metre road reserve to 20 metres and wanted our two lots to be the transition."

THE NUMBERS: LEON AND CAT	
Description	Costs
Purchase price	\$620,000
Buying costs (stamp duty, conveyancing valuation and finance application)	\$22,000
Surveyor and engineer fees	\$7500
Renovation costs	\$39,000
Services installation (sewer, stormwater, phone)	\$86,600
Survey, title, council, DA and BA costs	\$64,900
Demolition costs	\$4500
Selling costs (agents commissions)	\$27,000
Title issue and plan sealing	\$2250
Conveyancing and searches	\$1750
Holding costs, rates and insurances	\$13,500
Other site costs	\$6000
Total cost	\$895,000
GST (approx – yet to lodge tax returns)	\$12,000
Sale of house	\$510,000
Sale price – block 1	\$270,000
Sale price – block 2	\$277,000
NET PROFIT (after GST estimate of \$12,000)	\$150,000

RENOVATION TIMELINE	
Mar 2014	Made offers, but missed out
May 2014	Sale hadn't gone unconditional so had back-up contract drawn up and signed. Contract became active upon other buyer's extension request
Jun 2014	Received development approval (DA) for 1-into-3 subdivision (while away on an African safari...)
Jul 2014	Settled purchase and lodged appeal to reduce council land resumption on DA
Sep 2014	Got revised DA approval with much less resumption. Big win. Got demolition approval for shed and lodged BA (operational works application)
Oct 2014	Power abolition. Demolished shed on rear lot and removed trees. Issued operational work approval, appealed some conditions
Nov 2015	Spontaneous trip to Galapagos Islands, Ecuador, Amazon, Peru, Bolivia & USA! (While waiting on council response to appeal, and settlement of other projects)
Dec 2015	Lost operational works appeal. Civil guys ready to go but were told to wait until return to Australia
Feb 2015	Civil construction commenced after long wait due to rain delays
Mar 2015	Civil construction finished. Tenant moved out of house and renovation commenced
Mar 2015	First block under contract
Apr 2015	Second block under contract. House renovation completed and put to market
Apr 2015	House under contract
May 2015	House contract terminated, ran auction, new contract. House buyers moved in once unconditional – all contracts subject to title registration
Mid-Jun 2015	New title issued
Jun 30 2015	House and first block settled
Jul 1 2015	Second block settled

SUBDIVISION MISTAKES

1. Not knowing the real costs and guessing.

Nguyen suggests talking to your consultants early in the project. "Do your research with the consultants and pay them a deposit beforehand to ask them about costs and estimates. Line up your specialists before you really need them."

2. Trying to skip and save on consultants.

"Generally you'll need a surveyor, a town planner and an engineer. Don't try and save on consultants and get the cheapest one, they could take longer and make unnecessary mistakes. You want consultants who have experience and generally that expertise will provide cheaper solutions."

3. Unrealistic expectations. "For example, marketing your block at an overinflated price, thinking your block should sell for more than it can. Don't force the feasibility to make it work – the numbers in reality won't reflect your projected numbers, so always be conservative."

4. Underestimating the time it really takes.

"Don't have unrealistic contingencies and not allow enough of a buffer (financially and time-wise) for if things go wrong. Particularly if you're a beginner – initially it might take longer to organise. Building a solid team and making sure they're all on board with you takes time, too."



Nhan Nguyen

The land resumptions meant the Weber's would be left with a 470-square-metre block and a 440-square-metre block instead of the two 509-square-metre lots as originally planned.

"We lodged an appeal with the council and won," Leon explains. "I had the engineers come up with a proposal, to make the transition across the eastern lot only. So, we kept one 509-square-metre lot and the second lot was a bit smaller, like 477 square metres. It cost us \$1000 for the appeal, but it probably added \$15,000 to \$20,000 in sales, just by having that bigger lot."

After completing the subdivision, the house renovation was the last step.

"The house itself was actually in pretty good condition but the street appeal was abysmal," Leon says.

The couple hired a renovation consultant and the makeover included painting, rendering the exterior, putting in a driveway and landscaping.

■ ELIMINATING RISK

"We pre-sold all three properties prior to completion, all subject to title registration of the new lots," Leon says.

Again, the couple got their solicitor to

draw up disclosure documents and plans to do the pre-sales contracts.

"We sold both blocks of land and the house two months before we got titles... eliminating sales risk as early as possible."

The Webers sold all three properties for a total of \$1.057 million.

While there were plenty of delays with council appeals and rain, what helped the bank balance was the existing house being tenanted for the subdivision process.

"It was perfect. The house was tenanted for \$450 a week the whole time, so our holding costs were minimal. The tenants moved out just in time for us to do the quick renovation and put it on the market," Leon says.

"I guess the total timeline was a little more than 10 months, but a big bonus was we had 12 months and two days between purchase and sale contract on

the house, which meant a 50 per cent capital gains tax exemption on that part of the profit.

"Settlement to settlement was only 10 months between buying (settling) and having all three sold with unconditional contracts."

Leon and Cat's first piece of advice for people getting into property deals? Leave yourself a buffer and be conservative on the projected sales numbers.

"The number one rule in property, for me anyway, is get your money back out. You need to protect your investment.

"There's always a way to make it happen. It's just about getting resourceful, building relationships and thinking outside the box.

"Treat each new issue as a challenge and a self-development journey and, especially in the tough times, you tend to find out what you're made of somewhere in the middle of that process." **BN**

