LeadDeveloper

Property Development Blueprint

Flip, Develop Or Control Any Property For Profit...

Amber Khanna

Lead Developer | Founder

LeadDeveloper.io

Take the leap from property investor to property developer...

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Introduction

I was fed up with property seminars and programs that show WHAT to do but never explain HOW. So as I developed my first 5 properties I documented everything and created easy-to-use checklists and systems showing exactly HOW to make money in property development. It's my pleasure to share this life-changing information with you...

Inside I'll Show You Exactly How I Did It Including...

- 8 different pathways homeowners or investors can use to safely transition into property development to replace their income and make 'serious' money
- How to make money out of thin air with property development -- the ultimate 'equity accelerator'
- 4 Property Development Myths that keep investors stuck on the 'buy and hold' hamster wheel (and how to make twice as much money in half the time -- or less – developing property)
- Revealed for the first time: My 10-step property development process to making more money with property development in your spare time than you make in your full-time job
- The one-page Equity Acceleration Plan to owning 5 properties debt-free in 10 years or less
- How to continue the journey and find out more

Written By **Amber Khanna**
Property Development Expert & Owner Of
The Property Development System

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About The Author

While working in his family's textile business, Amber Khanna was asked to help with two residential and one commercial property development projects. Pretty soon he discovered he was much more passionate about property than he was about textiles!

After successfully completing all three projects worth a combined $20.2 million, on time and under budget, he knew he now wanted to be a full-time developer.

For the next 3 years, he burned the midnight oil, reading dozens of property books, attending seminars and gaining a range of qualifications, including:

- Industry Diploma in Property Development
- Masters in Business Administration (Finance & Marketing)
- Post Graduate Diploma in Business Management (Finance & Marketing)
- Bachelors of Business (Accounting & Marketing)
- Certificate 4 in Finance & Mortgage Broking
- Diploma of Finance & Mortgage Broking Management
- REIV Agents Representative

He even became the number 1 'success story' for one of his mentors and spoke at various seminars telling people exactly how he did it.

His Development Experience Includes Projects Over $65m And Counting...

- $20m+ in development projects completed overseas
- 9 apartment project in Brisbane, QLD
- 2 townhouses in Ringwood, VIC
- 4 townhouses in Chelsea, VIC
- 3 townhouses in Chelsea, VIC
- 16 apartments in Fitzroy, VIC
- 150 apartments/student accommodation, VIC
- 12 Townhouses in Edithvale, VIC
- 5 Townhouses in Aspendale, VIC
- 10 Townhouses in Mordialloc, VIC
- 4 Townhouses in Mordialloc, VIC
- 9 Apartments in Gold Coast

Combined Development Experience: Approx $65m

Amber Says....

"I see myself as a true property entrepreneur and I want to touch, move and inspire people to take charge of their financial destiny.
This road has not been easy for me. And is not for everyone. But with the right mindset, a big enough WHY and proper education, I honestly believe in my heart that anyone can achieve, not only what I have achieved, but anyone has the potential to go higher and further than I have reached.
We all have greatness within us and we are 100% in control of our mind. As long as we can handle the enemy within us, the enemy outside can do us no harm.
So my message to you is: Go out there, do what you can with what you have and never be satisfied - Strive for more each time and don't let your mind chain you to your existing circumstances. ***Whatever you are seeking in life, it is also seeking you."***

Who This Special Report Is For

If you're reading this guide, then you probably don't need any convincing about **property** as an asset class.

In fact, you may be **bored** or **frustrated** by traditional **'buy-and-hold'**, **cash flow positive** or **renovation** strategies because they are just too slow. And you may be curious to understand how ***investors*** can successfully make the leap to become ***developers*** and make 'serious' money.

Property investors buy property at 'retail' prices and make a profit as house prices go up. There's nothing wrong with this strategy. If you buy in the right location and wait long enough, you can still do very well.

Property developers add value to land and dwellings in order to capture a 'developer margin' or 'wholesale margin'. This gives them 'instant equity' they can pocket as profit if they sell... or use as collateral for their next project if they hold the property.

Basically, property development enables you to make more money in less time.

Is Property Development Right For You? Grab A Pen And Consider These Questions (Tick Yes, Cross No)...

- Have you always wanted to develop property, but feel short on knowledge or do not have an experienced team on your side?
- Do you have access to the equity that you would like to reinvest?
- Do you have land/property with zero or negligible mortgage, but no cash to develop?
- Do you own land with development potential?
- Would you love to live in a new house, but currently live in an aged house with a big backyard?
- Are you looking to invest in property, but not sure if this is the right time to buy because capital city prices have risen in value?
- Do you want to grow your property portfolio faster so you can replace your income in the next few years and enjoy a life of freedom and choices?
- Do you sometimes worry you may run short of money in retirement and be forced to compromise your lifestyle... especially if you experience unexpected medical issues or changing economic times? Would you like to be sure you have more than enough money to live the life you want... with money left over to leave a positive financial legacy for your family?

If you answered “yes” to any of these questions, you may be a perfect candidate to make the leap into property development and enjoy many rewards and benefits.

How Developing Property Allows You To Buy All Your Property At ‘cost Price’

Let’s look at some quick numbers from one of my projects. Assuming that the end value for each Townhouse is $650,000, the price is typically made up of:

Cost Heads	Amount
GRV (Sale Value)	$650,000.00
Land	$238,500.00
Construction	$228,375.00
Consultants	$15,000.00
Council Contributions	$9,540.00
GST	$12,897.73
Marketing	$16,250.00
Misc	$10,000.00
Finance	$20,475.00
TDC	$551,037.73
Profit	$98,962.27
Dev Margin	**17.96%**

- Land cost (approx 43% of TDC (Total Development Costs).
- Consultants (3-5% of TDC)
- Construction cost (41% of TDC)
- Developer’s margin (Typically ranging between 15-25%)
- Selling costs (Anywhere between 2%-5%)

When you develop property yourself, you get to keep the ‘developer’s margin’ or ‘wholesale margin’. In the $650,000 example you can choose to pocket $98,962 as profit when you sell the property, or you can refinance and hold the property with a $98,962 equity contribution towards your next development. This is like buying another $650,000 property for just $551,037!

By not having to wait for the market to go up in order to acquire your next property, you can dramatically accelerate the rate at which you can grow your portfolio.

You're probably already beginning to see why property development is called "The Ultimate Equity Accelerator". In a sense, it's like creating money out of thin air.

Phase 1 — **Purchase land or land and dwelling.**

Phase 2 — **Develop property for instant capital gain.**

Phase 3 — **Refinance property based on new valuation and unlock the equity to fund another development.**

In the next section, I'm going to walk you through the **10-step Property Development Process.**

But before I do that, I want to dispel some of the biggest myths and misconceptions I hear when it comes to property development....

Myth 1: Property Development Requires Big Bucks To Get Started

Property development simply means 'adding value to land and property'. And compared to regular 'buy-and-hold' property investing, you don't need much money to get started.

In fact, you can start developing property on a small scale (and that's a very good place to start in my view).

For example, one of my projects was a 2-townhouse development in Ringwood, VIC.   The value of the finished townhouses was $630,000 each and it required $105,000 of my own money to do the project. I didn't even have that money, so I leveraged off an existing asset.

Another project type is where you buy a house on a big block and split it in two or slide the house to one side of the block and build another house.

As you get more confident and/or as your equity situation allows, you can move step-by-step onto bigger projects like 4 or 6 townhouse developments for example.

You can start small and go from there.

Myth 2: You Need Heaps Of Industry Connections To Develop Property

This myth actually has a grain of truth to it. Many experienced property developers have an 'inner circle' of trusted contacts. These people may bring them deals and are only a phone call away when there's a problem that needs solving.

But what if you're starting from scratch? I mean, everyone has to start somewhere.

When I started developing property in Australia in 2012 I had no industry contacts.

My solution to this was two-fold.

- Firstly, I committed to improving my knowledge through **education**.
- And secondly, I created a series of detailed **checklists and systems** so I could manage the many variables in developing property.

I believe these systems are far more reliable than depending on a handful of close associates because systems bring a level of science to the process that even experienced developers don't have. It's these checklists and systems that I teach in my full Property Development System.

Myth 3: Property Development Is High Risk

ANY investment or wealth creation vehicle needs to have sound thinking, strategy and execution behind it. And when any of these things are lacking, the risk goes up.

This is by no means limited to property development. For example, if you were to put all your money into a single company on the stock exchange based on a ‘hot tip’ from a taxi driver, that would be a high-risk investment because it’s not based on sound thinking and strategy.

Similarly, buying an investment property in the wrong location with declining demand and no tenants would show a lack of sound thinking and strategy.

I created a system which forces me to identify every area of risk and ensures every ‘i’ is dotted and every ‘t’ is crossed before I proceed to the next step. My systems not only de-risk the process, but it also leaves me with a developer’s margin of around 20% at the end of the project.

In some ways, developing property is a safer strategy than traditional ‘buy and hold’ investing because the 20% developers margin acts as a cushion against some things that I might not be able to control, such as market fluctuations.

I believe unmanaged -- or what I like to call ‘HOPE Property Development’ -- is risky. But property development that is managed via a proven system, is well within my comfort level.

Myth 4: Property development is hit-and-miss

Some investors think property development is a bit like the lottery: Sometimes projects go well and sometimes they go bad.

I believe there is always a reason why projects go well or badly. And it is your job as the developer to stack the odds in your favor to ensure they go well.

That's where my **systems and checklists** come in. To ensure I always have sound thinking and strategy, I use systems and checklists EVERY time on EVERY project. Not just some of the time, or when I feel like it.

My system does not allow me to proceed to the next stage until the previous stage has been checked off.

I know that if I follow a proven system I'll get a proven result. The only thing I need is the discipline to actually **follow the system**.

Now that we have a few of the myths out of the way, let's look at how the property development process works....

The Ultimate Guide To Property Development

Forget about conventional property development courses. Sure, they'll teach you about some of the nuts and bolts and what is involved in property development, but there's a whole lot more that is required for you to know before getting started in property development. It is not just the what? But also, the "How to" of getting started in property development.

The Property Development System, on the other hand, takes a much more holistic approach, providing novice developers with a complete step-by-step guide to property development, from start to finish, that any beginner can follow. Property Development System mimics the way an actual property development project unfolds.

Conventional property development courses dictate that there are only five stages in the property development process:

- Vision
- Concept
- Consultants
- Construction
- Completion

As you can see, this starts with a vision of what you will do with a site, without telling you how you're going to find and acquire that site so you can have a vision in the first place.

There are many more steps beyond the five basic stages that are essential for every property developer to take if they want to successfully execute a property development project on time and under budget.

The Property Development System looks at how to get started in property development, beginning from making the decision to be a developer.

1. Adopting The Right Mindset

Starting With The Right Mindset

The property development process starts well before you even secure a site and can formulate a vision or concept about the type of project you want to undertake. Unfortunately, most property investment courses or property development courses out there are dictated by marketing firms and their marketing is slick enough to make newbies believe that the only thing standing between them the riches is their “property development course”.

However, before you enroll yourself in any property development course, you first need to determine whether property developing is for you, and to do that you need to identify what type of person you are.

In life, there are winners and losers, but then there are also people who haven’t learned how to win yet. There're simply people who haven’t learnt how to win yet and they don’t know where to start. All they need is the right system, the right education and somebody holding their hand throughout the process, guiding them on how to win & they’ll go out and win.

If you haven’t learned how to win yet and you’ve decided to be a property developer and wish to be successful in your ventures, the next most important thing to do is, to begin with the right mindset.

To be suited to property development you need to be prepared to commit to the process fully and decide you're going to forge ahead no matter what happens. You'll do whatever it takes to make it a success.

If you don't have this mindset you'll quit halfway through, which will be a waste of your time and money. You also need to have an appetite for risk and be willing to embrace uncertainty, as you'll experience both in property development. Anytime you are uncomfortable with uncertainty, remember this, what you think is SAFE is risky. That job that you have is anything but SAFE. Your internal growth is not in the safe house, it's out there & will happen when you challenge yourself and embrace uncertainty.

Some people embrace risk because it keeps them on their toes and pushes them to work hard, but a lot of people don't like that sort of pressure.

In a nutshell, property development is all about becoming comfortable with being uncomfortable.

For those who wish to learn property development themselves and still want certainty to a degree, you should check out the various property development courses available on this website.

And for those of you who have been brainwashed with marketing "Hoo-Haa" about property and how they will get a paycheque in their pocket every month, property development is not going to be a suitable vehicle for you in the short-term. When I say short-term, I mean the time it will take you to turn over at least 2-3 development projects, depending upon where you are starting from in the property development journey. If you are starting from nothing, it may take up to 4 projects before you can start seeing the fruits of your labor or if you are starting from a good position, it may even take you less than 2 projects to starting generating passive income from your "Develop and Hold" strategy.

Property Development in the short term will not give you cash-flow, however, property development is the fastest way to generate wealth via property, create passive income safely and exponentially grow your property portfolio.

You might be thinking, that I am contradicting myself, in the statement above. I am not. I am only trying to show you what reality is. Let me explain, depending upon the kind of project you are in, it usually takes about 12-24 months to turn over your first project. For that duration, a developer needs to fund and service the project's equity requirements – so there is no cash-flow during that period. However, the moment, you complete your development, you get windfall profits which surpass any modest or high paying salary and are far greater than any "Buy and Hold" capital gain that you can enjoy within 12-24 months. So, depending upon, your personal starting financial position, it may take you anywhere between 12-60 months to achieve financial freedom via property development. If you consider only 5 years to financial freedom, isn't it the shortest amount of time to generate wealth and achieve financial freedom? So would you consider, knowing the right system and the steps and having the complete knowledge to find and execute profitable property development projects valuable? If your answer is yes, then continue reading the rest of this article.

There's a saying "Circumstances don't make a man, they only reveal him to himself", and this is spot on for property development because once you get into a project, that project will reveal you to yourself.

That is, there are many decisions you'll have to make on the fly; it won't be 100% clear cut as to what's going to happen or what's not going to happen from the outset.

In a 9 to 5 job, on the other hand, there's more certainty about your day and your income, and more importantly, the responsibility at the end of the day usually lies with your company rather than yourself. If there are consequences from an action you've taken, it's usually borne by the company, it doesn't rest on your shoulders alone – the back pocket of the company takes a hit, rather than your coffers.

In property development, the responsibility rests with you, so if you're the kind of person who doesn't want that it won't be for you. However, if you're the kind of person who can take on challenges, is willing to take action, is resourceful and can troubleshoot, property development can be the most lucrative field for you. It's a big responsibility to take on, but the rewards can be massive as well. If you adopt a can-do, no-quit attitude, you'll push ahead no matter what happens in property development, which is why the very first step any wanna-be developer should take is to determine whether they have the right mindset.

Many property investors indeed do not adopt this mindset and are overcome with fear, which is why more than 70% of investors fail to get past their first property.

Knowledge Is Power

Once you have established that you have – or can adopt - the right mindset and property development is for you, the next step is to get educated. This will help you choose the right site and project, and will significantly improve your profit margin at the end of the day.

Firstly, it’s important to get an understanding of the property development industry and the factors impacting upon it. You’ll need to understand the fundamentals of property economics including new government policies, interest rates, the inflation rate, unemployment rate, population growth, the house price index and the Australian dollar.

Novice developers don’t need to be professional economists but it’s important to have at least a rudimentary understanding of these things to make more informed decisions and predictions.

It’s also crucial to understand statistics and listen for signals indicating a potential change in the market – these can come from the media or the property market cycle, for instance, – and again, can help developers make the most educated decisions.

2. Due Diligence & Site Selection

After getting educated on the property market and the factors driving it, developers should then look to undertake thorough research to determine where and what they will buy.

Location, Location, Location

When it comes to property investing and developing, selecting the right location and property is crucial. The old adage of ‘location, location, location’ still rings true; it’s one of the most important factors to get right as it really can make or break a development and your profit margin.

Ideally, you'll pick an area to buy in that is either heading into an upward growth cycle or is in the early stages of one, so you can benefit from this growth. This will also help to determine what you should do on completion of the project, such as selling to realize a profit or holding onto your assets, or even whether to increase your debt to develop again.

An area that is up-and-coming, or a 'hotspot', is often one where a new major announcement has been made, such as a new infrastructure project, which will attract more people to the area. Another good indicator is an area that is surrounded by other blue-chip suburbs but is still seen as a less desirable area, albeit improving.

Property Clock

The property clock gives a good indication of when it's the 'right' time to buy in any given market. At the bottom is when you should borrow more to invest in areas primed for growth. Property is more affordable, but prices can't fall any further, and the market starts to pick up again and prices begin to recover. The next phase – the growth phase - is a vendor's market, which is the time for property developers to be aggressive. While these are the ideal times to be investing and developing, it's virtually impossible to pick the market and determine where the bottom, recovery and peak is, until it's in hindsight.

For developers, there is no perfect time to buy – if a deal stacks up, it stacks up - but certain indicators enable you to make a more educated guess when it comes to which areas are on the upward phase of the growth cycle. (link again to blog).

Since different markets around Australia will be at different phases of the property clock at any one time, you should be aiming to choose one that is growing, or about to, and then you need to drill down to a local level to find a particular suburb and area within the suburb to invest in.

Demand And Supply

Demand and supply will be crucial indicators here. Find an area that has high demand, which will be enhanced due to its proximity to amenities and infrastructure such as schools, public transport and even employment.

Demographics

You'll also need to consider demographics; is the population increasing, with more people moving to the area? Also, consider what type of people live in the area. This will determine the type of development you undertake and what property type is most in demand – for example, if the demographic is dominated by families, houses will be in demand, while if it's young professional's units or townhouses will likely be in demand.

Site Selection & Analysis

After you've identified the location in which you want to buy and undertake a development, the next step will be to choose an appropriate site on which to do your project.

When it comes to property development it's crucial to buy right to make sure you can undertake not only a development on the site, but the right development.

There are a multitude of factors to consider when doing your due diligence in finding a suitable site, but the factors you absolutely must consider before buying include:

- Size: How big is the block? The total area of the site must be checked carefully, as a few extra square meters could mean the difference between building three or four townhouses.
- Setbacks: A developer won't be able to build on the entire block due to setbacks, so while it's important to consider the total area, you also need to consider the total usable area. It can vary depending on the density, but for medium-density areas it's usually around 60% of the total area.
- Orientation – Which way is the site facing? Consider factors such as whether the development will allow for a sunny northerly aspect in the backyard, which is desirable to maximize light, and how it can maximize views. Also, avoid negatives such as a site that faces traffic or doesn't allow for privacy.
- Slope – When it comes to topography, the ideal site will be flat with a slight fall allowing for storm water run-off. A sloping site will cost more, as expensive retaining walls should be accounted for.

Other crucial factors to consider undersite selection – as they may restrict the development potential of the site - include:

- Zoning: Zoning is a planning control that allows council to determine the appropriate use of land. Check the planning issues and council's current zoning to determine if your proposed development is allowed and whether there are any old development consent conditions that apply.
- Overlays: An overlay is an additional layer of planning control that allows the council to determine the type of

development that occurs. If your property has one you may be required to adhere to other conditions and comply with certain restrictions. You should look into council overlays that govern the site before you get into the project.

3. Financial Feasibility

When you've found a site that you think is suitable for development, and you've got a vision for the type of development you want to undertake on that site, you will need to determine if the project stacks up from a financial point of view.

How do you do that? You conduct a property development financial feasibility analysis, considering all the costs of the development, including the purchase price of the site, as well as the gross realization value (GRV) - or the selling price - of the end product to determine what your profit will be.

Conducting a financial feasibility study is one of the most important steps in the development process as it will determine whether you will in fact make a profit and if so, what your profit margin will be.

There's no point in undertaking a development and spending precious resources, including your time and money, if the profit is not going to be worthwhile. Even though the potential development site might tick all the boxes including being in a great location, being the right size and having the right zoning, a development on it still might not stack up financially, so it's essential to crunch the numbers before you buy. Don't jump in head first; careful planning is needed in development because the risks are much greater than undertaking a buy and hold strategy.

Calculating Your Profit Margin

There's no set profit margin developers must make from a project, but as a general guide many aim for at least 15% to 25% (and lenders may require this). You'll need to determine the profit margin you're comfortable with, and in doing so it's important to consider what you are going to do with the product upon completion.

If you're going to hold onto it you'll need to consider the equity you'll have in the property, as well as rental returns.

The most important concept developers need to grasp when conducting a financial feasibility is that the price you pay for the development site is going to determine your profit upon completion of the project. The key, therefore, is to buy the land at the right price.

Usually everything remains constant except for the land value and GRV. The constants include costs such as professional fees, construction, permits and selling costs.

Just because you have paid more for your land does not mean that you can get more for your developed product. The market will determine what the end value is and buyers won't pay more simply because you need to make your predicted profit.

If you overpay you'll need to recoup that extra cost in the end value, but you likely won't be able to and hence your profit margin will be eroded.

Since it's so crucial to buy at the right price, it's a good idea to start at the end and work backwards by determining what type of development you're going to do and what the end value of the project will be in your chosen market.

Once you allow for costs you'll know what you need to buy the land at in order to make your desired profit. Stick to this figure and don't go over it.

To be a successful property investor and developer you need to keep your emotions out of the deal; it's all about the numbers. If they don't stack up, walk away and find another deal. And there will be one.

Conducting Property Development financial feasibility analysis Preparing a comprehensive financial feasibility analysis will be time-consuming, but it's essential if you want your development to be successful.

It will help you determine the highest and best use for the property and maximize your profits.

Property Development Costs

The first crucial step is to understand the various development costs, which include:

- The purchase price of the land
- Acquisition costs - including stamp duty, legal fees, rates and taxes
- Finance costs – including application fees, establishment fees, bank valuations and legals, as well as interest charges on your borrowings.
- Professional fees - Consultant's costs such as architects, town planners, engineers, project managers and surveyors.
- Construction costs
- Council contributions – including application fees for development approval and building permits. Could also be

fees for land subdivision, strata title and rezoning, development contribution and private open space levy.

- Utility connection fees
- Selling costs – including the agent's commission, marketing costs, legal fees, government fees.
- Insurances – Everyone involved in the development must be covered due to the risk involved. As a developer, you'll be liable for insurance when the buildings are handed over, including public liability and insurances against fire, storms etc.
- GST – You must pay GST on the sales of the developed properties at the end of the project.

PROPERTY DEVELOPMENT SYSTEM

Description		Amount	
Land Value		$900,000.00	
Stamp Duty	6.00%	$54,000.00	
Total Acquisition Costs		**$954,000.00**	
Land Value TH/Units	4	$238,500.00	
Total Construction Area		185.81	m2
Estimated Construction			
Costs / m2		$1,500.00	
Total Const. Costs		$278,709.12	

Converter		
Square Meters	Square	m2
	20	185.81

Cost Heads	Amount			
GRV (Sale Value)	$650,000.00			
Land	$238,500.00			
Construction	$292,644.58	G	5.00%	Contingency
Consultants	$15,000.00	G		
Council Contributions	$9,540.00		4.00%	Land Value
GST	$7,055.04		y	Margin Scheme
Marketing	$16,250.00	G	2.50%	Commission
Misc	$10,000.00	G		
Finance	$20,475.00			
TDC	$609,464.61			
Profit	$40,535.39			
Dev Margin	**6.65%**			
Target DM %	20.00%			
Residual Value of Land	$170,702.05	or		You should pay no more than $682,808.21
Total Project Revenue	**$162,141.54**			

Finance			Interest	Loan Amount	Interest/annum
Construction (GRV)	LVR	65%	4.50%	$422,500.00	**$19,012.50**
Construction (TDC)	LVR	70%	4.50%	$426,625.23	**$19,198.14**

Example of a financial feasibility analysis

In your property development, financial feasibility, you also have to account for any income from the sales and any potential rental income.

You should also include any bonus sources of income, where you can generate some extra cash, such as selling plants, soil or existing buildings.

The financial feasibility is not an exact science, as you can't know the precise costs until the development is complete. You can, however, make some assumptions after doing thorough research, and it's best to be as accurate as possible by estimating the right costs and then allowing contingencies.

Can You Afford It?

Once you've completed your financial feasibility you'll be able to determine how much capital you'll need for the project, and hence, whether you can afford to do it. You'll be able to borrow some funds of course, but there are certain things you'll have to pay for upfront, out of your own pocket.

You'll also need a contingency amount of 3-5% in case something goes amiss.

Thorough planning through a financial feasibility study will provide you with the confidence you need to progress with the project, especially if you're inexperienced. It will also provide banks with the confidence they need to extend funds for your development.

4. Understanding Finance

Once you've conducted your financial feasibility study and determined that your project will be worthwhile in terms of profitability, you'll need to work out how you're going to finance it.

Development finance is significantly more complicated than obtaining a normal retail loan for a straightforward buy and hold property investment, so it's essential to have a thorough understanding of how it works.

This is a crucial part of the development process; without finance, there is no project, unless you're able to fund the entire project yourself, which not only is unlikely, but also does not make business sense. While you'll be borrowing significant funds, you will also need some equity to put into the project, and you'll know exactly where your personal capital is required from your financial feasibility study.

The 3 Stages Of Property Development Finance

1. Land acquisition loan

When you purchase a development site you usually get a long-term retail loan from a lender, and you start making loan repayments as soon as it settles. If there's an existing house on the land you can rent this before the development begins to help with repayments.

It's important to note that lenders don't like providing loans for investors that are simply land banking unless the land is in an established suburb and they know they can sell quickly if necessary. If it's a block of land in the outskirts of a city they will want the purchase to be part of a full development loan; otherwise you must fund the land purchase yourself, and developers do this mostly through joint ventures, particularly for subdivisions. It's common for developers to partner with someone who already owns a block of land, and to use their skills to undertake the development.

2. Construction loan

This is for the building phase of the development and will usually consist of an interest-only loan, but it differs from a normal loan in that the interest will likely be capitalized. That is, rather than making regular interest repayments during the construction phase, the interest charged each month will instead be added to the total amount you owe, and you then start making repayments when the project is completed.

Some lenders will also finance the GST, by extending an overdraft facility, but some won't. If it's the latter you can claim the GST regularly through your BAS statement – doing this helps with cash flow, and interest is calculated on the drawn-down amount.

3. Retail loan

If, upon completion of your development, you decide to hold some or all the properties you've built you'll need to get another retail loan. It's advisable to get an offset account or a line of credit attached to it.

Developers Equity Contribution

Generally, you'll be required to cover 20% to 30% of the total costs of your development, with lenders usually only allowing developers to borrow the remainder, being 70% to 80%.

The loan-to-value ratio (LVR) the lender allows you to have will depend upon your project; if you are building less than three - four dwellings it's considered a residential development, but if it's more it's classed as commercial, which usually requires more equity from the developer.

Either way the LVR will be much lower than that for a "buy and hold" investment. Part of the funding you'll be required to input yourself will be at the conceptual stage of the development.

Since it's not funded by traditional lenders, this initial capital usually comes from private funding or seed capital – that is, it either comes from the developer's personal assets or their friends and family, as either an equity stake or as borrowings.

It pays for costs such as consultants' fees and required reports, to progress the development and get it up to the development approval or planning permit stage.

Since development loans are provided in staged payments developers often need extra funding to get by in between. If you need short-term access to funding outside the three main stages the options include bridging loans, caveat loans and non-recourse loans, as well as mezzanine finance. These are usually offered by specialised lenders willing to take the extra risks. Beware that they usually come with higher interest rates, so using this funding can erode your profits.

Property Development Loan Application

Property Development is a riskier proposition than a simple buy and hold property investment to not only an investor, but also to a lender. As a result, the process for applying for development finance is more complicated, with the lender's research being more thorough and restrictions being tighter.

This is a constantly evolving field, with conditions and loan types changing, especially between lenders, so you'll need to keep abreast of changes.

A good place to start when applying for a loan is by handing over your property development financial feasibility to your lender – this will enable you to demonstrate you've done your homework and that the numbers stack up, proving the project will be profitable.

While there are a wide range of factors lenders will consider for your application, the end-product of the development is what they're particularly interested in, as this will be the security for the money they're loaning you. Mostly, they'll want to ensure that if a mortgagee in possession situation occurs they'll be able to sell the end-product and get their money back.

As well as scrutinizing your development and financial feasibility, lenders will also analyze the developer to ensure they can service the loan, have experience and can provide the necessary equity. A proven track record or some sort of an experience in the field is what the lenders will be looking for. They are not only after the serviceability and equity, but lenders these days also consider your ability to execute the development.

Most newbies can circumvent their lack of experience by having an experienced mentor who looks into everything they do and guides them through their first development.

To maximize your chances of the loan/s being approved, you should approach the lender in the most professional manner, preparing and submitting a detailed application. It should include the following details:

- *Site particulars* – including the site description and zoning
- *Development particulars* – including the type and the design concept
- *Costings* – Including the feasibility study with gross realization value and profit margin
- *Salability Analysis* – including the strengths of the end product and why it will appeal to buyers, such as location, quality and suitability to the target demographic
- *Project timelines*
- *Personal details of the developer* – including your financial situation, such as the equity you can input and your experience.
- *Development team's details* – including their experience, with examples of other projects they have delivered.

If you need help with finding the right lender and getting your loan submitted correctly and approved, it's wise to seek the help of a professional, such as a specialized development finance broker.

5. Purchasing The Development Site

Once you've secured funding for your development project, you can move ahead with the purchase of the site. But before you act you'll need to determine which entity you're going to buy the property in. It might seem logical to buy it in your own name but this may not be the best course of action, as it may not provide you with the best asset protection or help you minimize the tax implications.

You must seek specialist advice from your accountant from the outset to determine which name you'll buy the property under. It's wise to set up the right structure from the beginning to avoid any costly changes down the track.

Your accountant will consider your individual circumstances and the specific project you're undertaking and determine what the best financial structure should be to suit your requirements. There isn't a one-size-fits-all approach.

The way it's structured will largely hinge on whether you're undertaking the development on your own or with a partner, and what your long-term plan upon completion of the development is. Your personal financial situation will also help determine the right financial structure for you.

Understanding The Concepts

While your accountant will advise on the best course of action as part of your wider investing strategy, as a developer you should have a good understanding of the different ways you can structure things and why.

Spend time researching the various investment structures so you can make a more educated decision.

Property developers undertaking small-to-medium residential projects often use a new entity and/or structure for each project, largely to minimize risk.

The investment structure refers to the way your investments are legally owned, and following are some of the main entities through which to buy:

- Individual – The simplest ownership vehicle is to hold investments in your own name. Benefits include the ease and the administration of it, the low cost and its tax effectiveness, especially if you are a high income earner. The big disadvantage is the lack of asset protection.
- Partnership – Also relatively simple and is a separate entity for tax purposes. It must distribute income to the partners, but does not pay tax. It offers no risk protection.
- Companies – This is usually used for a business rather than property investments, but a development is similar to a business hence it could be a good way to go, depending upon your situation. The benefit is that the tax rate on profits is 30% and it offers some asset protection, but drawbacks include that investment sales aren't eligible for a capital gains tax discount. It has high set up costs, but some asset protection and can work well for investors.
- Trusts – There are three main types – discretionary, unit and hybrid – with ranging benefits and disadvantages. Trusts are a popular investment structure and often provide for asset protection.

The tax issues associated with a development can be complex, especially if you want to sell some of the end-product but keep some in your portfolio long-term. Often companies are used as development vehicles and trusts are used to hold properties long term, due to their potential for the 50% CGT discount when it's eventually sold.

When selecting a financial entity for your property development project, you should consider tax implications, asset protection, long term goals and your personal financial situation along with the level of flexibility required.

Property Development & Negotiation skills

Remember that the price you pay for your development site will determine your profit margin, so it's critical you negotiate at the time of site acquisition. If you have done your financial feasibility correctly, you will know the maximum price you can pay for your financial feasibility to stack up. So, one method when negotiating is to simply impart this to the seller & the real estate agent, rather than haggling over price.

This involves simply sharing your knowledge with them, telling them what you can do with the land and what the costs are, leaving you with a figure of $x that you can afford to pay. Show them the financial feasibility if you need to, to back up your claims with facts and figures.

The golden rule of negotiating is to refrain from getting emotional & always having your BATNA (Best Alternative To Negotiable Agreement). As a developer, a deal is all about the numbers; it's not about your love of the site, but the profit you can make at the end of the day. If it doesn't stack up, walk away; it's not worth the risk & the hassle. For this reason and this reason alone, I never buy a development site in an auction and neither do I negotiate to pay more for a site.

It's important to understand that negotiating isn't just about the price of the block. To make your offer more attractive to the vendor you can also negotiate on the terms of the purchase, such as settlement times, inclusions and access, or even losing the “subject to finance” clause if you are confident of what you are doing.

Sometimes offering the most favorable conditions will get your offer over the line, even if there’s one on the table for a higher amount. While you certainly want to secure the development site at the best possible price it’s often unwise to lowball the seller. This will immediately put them off and no matter what special conditions you offer they probably won’t accept, dismissing you as a tyre kicker. In fact, offering your best offer first might even get you over the line immediately. Again, all this will depend upon where the market is at, at the time of purchase.

It’s also advisable to act quickly when you find the right property, and be prepared when it comes to the way in which you will negotiate. You can even try role play to develop possible responses in advance to lots of different scenarios, so that if the vendors says “X” you can respond with “Y”.

Be forthright and put your money where your mouth is, submitting a written contract with a holding deposit to show you’re serious.

Negotiating is a skill, and if you do it right it can result in thousands of dollars in savings. If you get it wrong, however, you can either end up paying too much or a perfectly good deal could slip by.

It’s especially crucial to negotiate well in a hot market because if you don’t step up, there are plenty of other buyers who will come along and pull the rug out from under you, and agents will only be more than happy to oblige the vendor.

If you don’t have good negotiating skills then either get educated and become a master, or seek the help of a professional to do it on your behalf (hopefully you’ll be able to claw back this cost by paying less for the purchase price).

PART 6: OBTAINING PERMITS & MARKETING

From your due diligence you would have established the right product fit for your development site, and after settling on the purchase you'll need to refine and finalize your project concept.

The next step is to then get permission for undertaking your development, and to progress your project with the help of various consultants.

Obtaining Permits

The two broad permits you'll need to apply for are 1) Planning Permit also known as Development Approval (DA), and a Building Permit also known as Building Approval (BA).

A planning permit or DA gives permission for a development on a particular piece of land. To obtain the DA, you make an application to the local council, which will then either grant the permit or a notice of decision, depending on whether there are any objections to the application.

If you are given the latter you may need to revise your application in some way to address objections. You will then usually get your DA or permit after a cooling-off period, but be aware that a strong objector can lodge a claim with the Civil and Administrative Tribunal (or equivalent in your state or territory), which can delay your development by months.

One way of tackling this and avoiding a trip to the tribunal is to approach the objector directly and try to appease them by handling their objection – perhaps by showing them shadow diagrams to prove there are no shadows affecting their property, if that's the issue and it occurs more often than not.

If council refuses to grant you a permit or you aren't happy with the conditions of their approval you have the option of lodging an application for review in the Civil and Administrative Tribunal as long as your development was designed within the residential codes.

One of the keys to getting fast development approval is to buy correctly – if you buy a site that already has the right zoning and no overlays or an overlay that is conducive to development, it will be easier to get a DA and subsequently a BA, which is a permit for the method of construction for your development.

If your site doesn't have the right zoning, there are overlays, or you're trying to increase the density higher than what the res-codes allow in the area, the approval process could be dragged out significantly.

Consultants

You'll need to engage various consultants to help you obtain approvals, prepare relevant reports and progress the project.

It's crucial to know exactly who you need when applying for a DA, and from there a BA – to determine which consultants you require at each stage and what you need from them.

Here's a basic outline of what they do, but is by no means exhaustive:

- Architect - An architect is involved right throughout the process, and their tasks are many and varied. They design your development to provide the highest and best use for the site, but they're also involved in town planning and may also administer the building contract and oversee construction.

- Town planner - A town planner plays a vital role, working with the architect to ensure the development fits within the planning regulations in the relevant council area. They should also be able to help avoid objections to your development by identifying possible issues and working with the architect to create a design that overcomes these.
- Land Surveyor - The task of a land surveyor includes determining the boundaries of the site and conducting a set-out survey, which sets out the exact position of the building within the legal boundaries of the site.
- Engineers - Engineers ensure the build is structurally sound, and depending on your project, you may need more than one type.

Marketing Your Development

You can start marketing your project as soon as you've got approvals.

Marketing is one of the most crucial aspects of your development, as without marketing you will not be able to sell your development.

In coming up with a concept and design for your development you need to be conscious of creating a product that will sell, and if you've done your due diligence properly you'll have this covered.

Regardless, you'll still need great marketing to sell the lifestyle associated with buying into the development and get sales across the line fast.

Traditionally marketing would have started when the product was completed, and real estate agents could simply show potential buyers through. But these days the landscape has changed, with marketing kicking in much earlier in the project.

Why? Because lending restrictions have tightened, and banks are becoming more strict with pre-sales requirements in order to de-risk the project and safeguard their interest. Often they require at least 50-60 percent of the final product to be sold off the plan before construction commences, and they'll want updates on sales as the project progresses.

Since off-the-plan sales are so important there's now much more involved in marketing than just getting a real estate agent on board – although this will be part of it.

Buyers need to be able to fully envisage the completed product even though there's nothing physical for them to see, so it's important to get quality renders and material boards done as part of your marketing mix.

While traditional marketing such as flyers and print advertising is still around, digital marketing is catching up fast. Any way in which you can show the property digitally – perhaps even through virtual reality or 3D visuals is a plus.

Avoid the temptation to get cheap renders – your sales will hinge upon potential buyers being able to really get a feel for your completed product, and they won't be compelled to buy if your renders are sub-par, especially if your product is $500K+, which is a very significant investment for anyone.

Your marketing material should also include a finishes schedule to show buyers the color scheme and the materials that will be used. You can even get a materials board done so people can physically touch the materials, such as the tiles, floorboards, and materials for the kitchen benchtops and sample finishes.

Think outside the box when it comes to marketing – online is where it's all happening these days, so look at various options. It could be through having a website, direct advertising or even utilizing social media to reach your target market.

Whatever you do to market your development, just make sure you understand your target market and determine how to reach and engage with potential buyers. And lastly, make sure your product is priced right.

PART 7: CONSTRUCTION

As soon as you've got your permits and you've put a marketing plan into action to get some pre-sales, you'll need to get the development springing into life by getting started on the construction.

You don't need to be a builder to get this right, but like everything, you should have a thorough understanding of the processes involved.

Your knowledge of the construction phase should include – but is not limited to - the following:

- Contract types – A fixed price contract is often the best option, since you'll know upfront what your costs will be. Unexpected costs will often have to be covered by the builder, however there are some unknowns, such as difficulties encountered with the landscape, such as hitting rock, that may have to be covered by the developer.
- How to select a builder/contractor – Just like any industry, there are good builders and there are bad builders, so careful selection is important. It can be cheaper to subcontract building work, but for inexperienced developers the easier option is to select a good licensed builder who has the relevant experience, insurances, and comes highly recommended.
- The tender process – Potential builders you're considering will submit a tender for the work. Get a professional to compare their contracts if necessary.
- Filing progress claims - Under most building contracts the contractor is paid progressively throughout the project. They submit progress claims which are then assessed by

the QS appointed by the bank, before the progress claim is released.

- Builders and defects liability period – When the project is completed, builders must issue a warranty and they'll be responsible for any defects in the building during the period it covers.

Construction Costs

While you'll have had an idea of the construction costs for your project from early on – especially if your quantity surveyor has prepared a cost plan - the final cost will be unknown until the end.

As you go through each process the cost of construction will change. It can't be finalized until the development approval has been granted, for instance, as council may request changes that will impact upon the cost of building and it will also depend on what happens when work on the site starts.

The costs of construction will be largely determined by two main factors – the availability of materials and labour.

Materials generally rise in price over time in line with inflation but if something is in short supply it will be more expensive, and if it's imported the price will be affected by exchange rate fluctuations.

Labour costs are also impacted by demand and supply – if workers are in short supply the costs will rise, and vice versa. If you're building in an area where there's lots of development going on this is something to consider, as the shortage of skilled labour means your costs may be higher.

You should know the costs of these factors upfront, but if your project drags on over a long period of time (more than, say, the usual six to 12 months) and something changes in terms of the supply, the costs can rise.

Keep in mind that construction costs are generally higher in areas where the cost of living is higher, such as in Sydney and Melbourne. It's also often more expensive to build in regional areas due to the availability of materials and labour.

Each development site is different, so construction costs will differ from project to project – there isn't a one-size-fits-all, even if you're using the same plans.

There can also be problems with time delays, which can sometimes be avoided by getting a contract that specifies when a build must be completed, and if it goes over the builder can be held responsible for the extra costs.

Construction costs will also be dependent on the finish you go for. Don't go for the cheapest option, but also make sure the product you're constructing is suitable for the demographic you're targeting and the sale price.

Your Strategy

You should know what your strategy is for the development – in terms of whether you intend to hold some or all of the finished product or sell it - right from the outset.

This is largely because it will impact upon many aspects of the development, such as being able to claim GST.

To determine whether you should keep some or all of the properties you've built it's a good idea to look at the potential cash flow – if they're going to be neutral or positively geared then it's probably a good idea to hold them, as long as they also have capital growth prospects and you can afford it. Often properties you've developed will offer good cash flow as you'll have paid wholesale prices for it.

Whatever your strategy, it's highly likely that you'll be selling at least some of the properties you've developed to pay down the debt, and hopefully many of these will be your pre-sales, so you will have signed contracts ready and waiting for settlement upon completion of the project.

Settlements

To ensure these settle straight away you'll need to make sure the titles are ready in advance; start this process around three months out from completion.

Having the titles ready on time means you can reduce your costs by reducing your interest. At the end of the construction you've drawn down 100% of your construction loan, and you'll be paying a huge amount of interest – it could be $400 to $1000 per day, depending on the size of your development, which will be eating into your profits.

If you're keeping some of the finished properties, you may also need to refinance and get them tenanted ASAP to help you service the loans.

Selling the properties in the development means you'll be able to realise your profit straight away, but you'll also miss out on future capital growth that would come from holding the properties for the long term, and you'll have to pay taxes on your profit and selling costs, eroding your profit margin.

The happy medium therefore is often is to sell some and keep some. If you keep some you can also realise your profit by accessing the equity to buy again, rather than using the profits.

In order to complete the project and settle the sales you need:

- certificate of completion
- final survey
- certificate of occupancy
- plan sealing
- issue of titles

Here is a brief outline of the entire process for townhouses:

- The Surveyor lodges a preliminary plan of subdivision with the council.
- The council then says, “Yes, we are okay with this as long as the Water and Sewer Authority is okay with it.”
- The Water and Sewer Authorities will then ask you to pay a fee and in Victoria, issue a Planning Industry Commission Number.
- The Surveyor lodges and registers the plan at Base Stage for Certification.
- A Final Survey is then conducted. This is the final step in the subdivision process and is issued once all planning permit and referral authority requirements have been met. The Titles Office will give you a new Certificate of Title once you have a Statement of Compliance. A statement of compliance confirms that the building was setout and constructed in accordance with the proposed plan of sub division approved earlier by the planning authority as part of the planning permit application.
- The Final Survey then becomes the sealed plan/certified plan, which is then incorporated in the registered plan for titles.

All of these matters must be finalised before you can collect your prize money.

LASTLY: THE PRIZE

The final stage is collecting the fruit of your property development efforts after all pre-sold units are settled. This may come in the form of a big fat cheque or 'instant equity' in their newly acquired investment property.

No matter how it comes, the aim is to leave you in a better financial position than you started with. But in order to ensure this you have to get all the preceding steps right, checking off every stage and only moving on to the next stage once the boxes have been ticked.

By following the process above, you're in a position to build your property portfolio faster than you could with a traditional 'buy-and-hold' investment strategy.

The Equity Acceleration Strategy In 8 Simple Steps

One reason to get into property development (as opposed to 'buy-and-hold' investing) is to create a snowball effect to accumulate wealth faster. Here's a simple one-page outline of this effective plan...

- **Location, Location, Location**. Always buy in well-located areas close to transportation, schools and shopping centres.
- **Only buy at below market price**. This comes from knowing how to analyse property and negotiate effectively. I use my Two Minute Feaso Smart Calculator to determine exactly what I can afford to pay for the land in order to make a certain profit on a project. It is that simple -- I just dial in the kind of development margin I need to make and my calculator tells me the maximum price I can afford to pay for the land. This ensures I always make a profit on my development.
- **Manufacture growth** by adding value and developing your property.
- **Rent out the newly developed stock**. New stock always fetches better rent and tenants.
- **Refinance**. Get the property revalued after development and get it refinanced.
- **Extract your initial deposit** and leave the newly generated equity in the property. Use the extracted deposit to do the same exercise all over again.

- **Rinse and repeat this process** until you build up a portfolio of at least 10 properties in the next 10 years (hopefully sooner).
- **Sell off half your portfolio** after 10 years and use the proceeds to pay off the other half.

This leaves you with 5 mortgage-free properties. If you've chosen wisely, you'll be left with an income of at least $100,000 p.a. passive.

How's that for a carefree and financially free retirement?

How To Develop Property, Safely and Successfully

In this Special Report you've learnt a bit more about the property development process, and seen how property development can be used to accelerate your ability to create equity over and above 'buy-and-hold' strategies.

When I started in property development, I sought out all the information I could find.

I found some good information, and some not so good information.

I attended courses, invested a lot of money in my own education, and put what I learnt into action.

And what I found was even people who attended expensive $6,000 weekend seminars were still left scratching their heads wondering how to put it all into action for themselves. With a few notable exceptions, they still didn't know how to take what they had learnt and make money with it.

So I surveyed seminar attendees and asked them what they felt was lacking from the seminars they were attending and the products they were buying.

And the common theme was while existing property development courses talked a lot about 'WHAT TO DO' they had very little detail on 'HOW TO DO IT' and 'WHY TO DO IT'.

I could empathise, because I had to spent $35,000 with one of my mentors to really see HOW property development was done.

I don't begrudge that investment because it has helped me make far more than that back. But I wanted to create a training course that is more comprehensive than anything currently available. A system that would take first-time or beginning developers by the hand and show you exactly:

- what do to
- how to do it
- why to do it
- in what order
- how to know if it's working
- what to do if something goes wrong

I wanted to develop something that gives you the whole solution, not just part of the solution.

And... I also wanted to drag this field into the 21st century by documenting some of the cool, time-saving tools and research methods I developed in order to streamline the research, feasibility and project management aspects of property development.

These tools allow even new property developers to compete with 'old hands' -- with less time and effort.

And the result is what I call the Property Development System – the first end-to-end training course for new property developers looking to succeed in property development without stressing out.

After test driving my system with a few personal students, I'm at the stage where it's almost ready to be released.

This is going to be in an online training format. There will be a series of video modules, tools and resources that you won't find anywhere else.

And it will be priced at a level that makes complete no-brainer-sense for any investor contemplating a development project, or anyone wanting to effectively save $60,000.00 to $150,000.00 on their next property purchase.

I haven’t set an official launch date, but it will be very soon....

Please keep your eyes peeled and watch your email inbox.

In the next few weeks I have even more cool stuff to share with you.... including specific locations you should avoid... and 5 areas that I think have exciting growth potential and I have my eye on for my next projects.

Thanks for reading this report. Please stay tuned as I plan to surprise and delight you with more great info very shortly.

Kind regards,

Amber Khanna