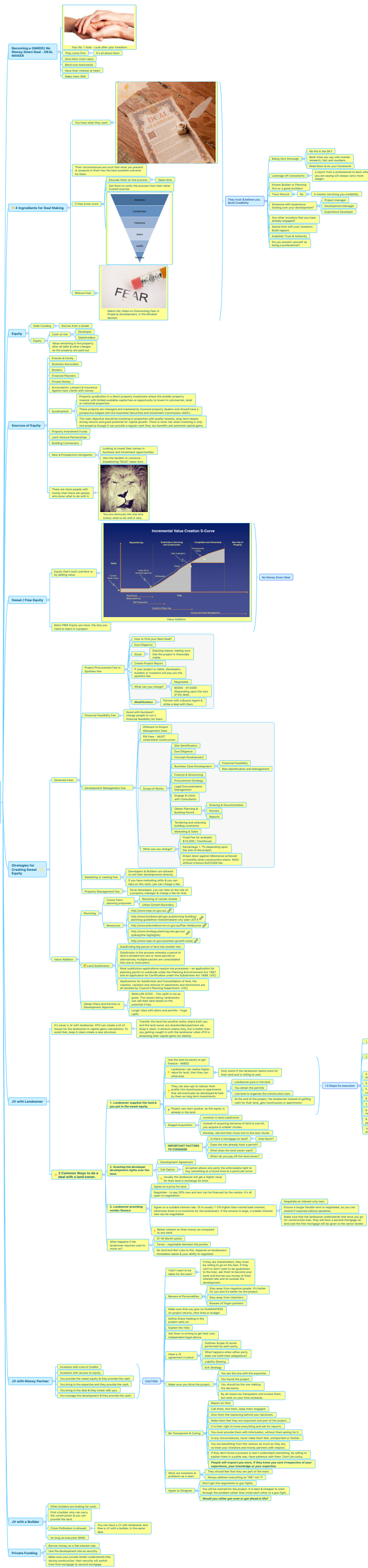


PROPERTY DEVELOPMENT SYSTEM
Becoming a Deal Maker



**Becoming a (NMDD)
No Money Down
Deal - DEAL MAKER**

M



Your No 1 Goal - Look after your investors

They come first

It's all about them

Give them more value

Bend over backwards

Have their interest at heart

Make them WIN

★ 4 Ingredients for Deal Making

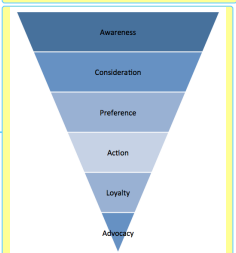
You have what they want



Their circumstances are such that what you present or propose to them has the best possible outcome for them.

Educate them on the process
Get them to verify the process from their other trusted sources.

Takes time



If they know more

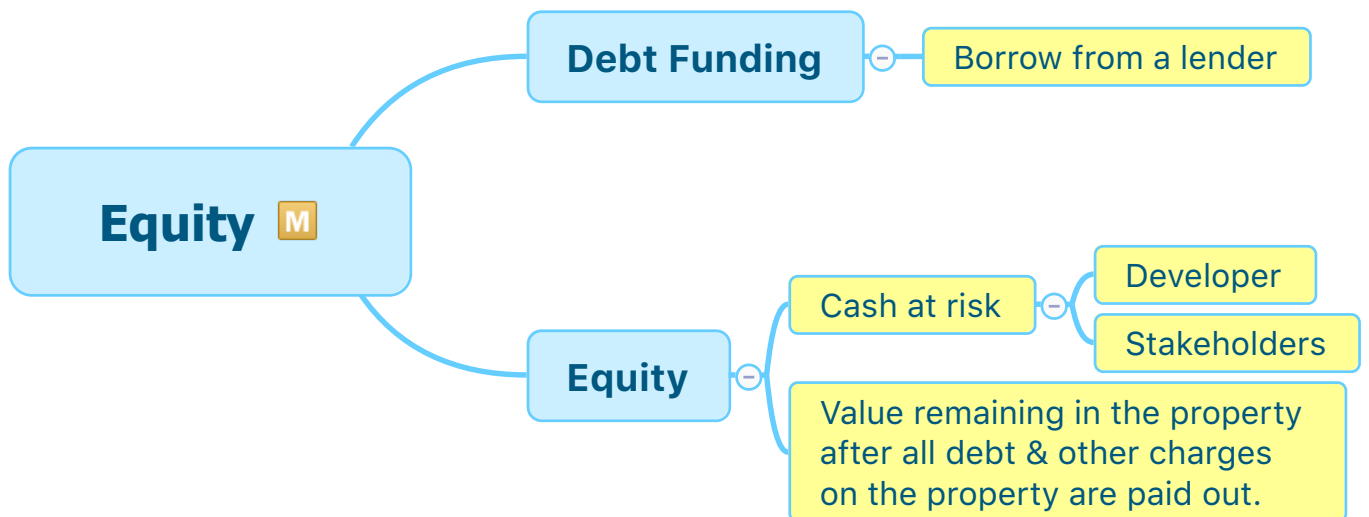
Reduce Fear



Read the article on Overcoming Fear
<http://www.propertydevelopmentssystem.com.au>

They trust & believe you.
Build Credibility





Sources of Equity

Friends & Family

Business Associates

Brokers

Financial Planners

Private Money

Accountants, Lawyers & Insurance Agents have clients with money

Syndications

Property syndication is a direct property investment where the smaller property investor with limited available capital has an opportunity to invest in commercial, retail or industrial properties.

These projects are managed and marketed by licensed property dealers and should have a prospectus lodged with the Australian Securities and Investment Commission (ASIC).

The main objective should be investing in properties with quality tenants, long-term leases, strong returns and good potential for capital growth. There is more risk when investing in only one property though it can provide a regular cash flow, tax benefits and potential capital gains.

Property Investment Funds

Joint Venture Partnerships

Building Contractors

New & Prospective Immigrants

Looking to invest their money in business and investment opportunities.

Also the hardest to convince - Establishing TRUST takes time.

There are more people with money than there are people who know what to do with it.

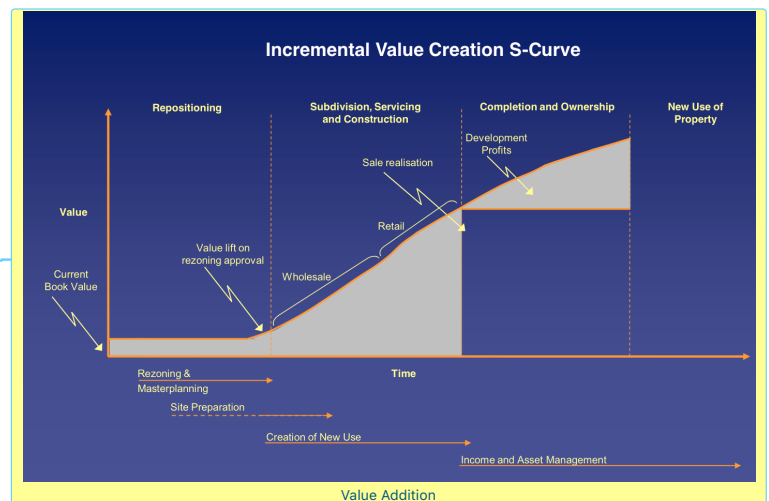


You are obviously the one who knows what to do with it now.

Sweat / Free Equity

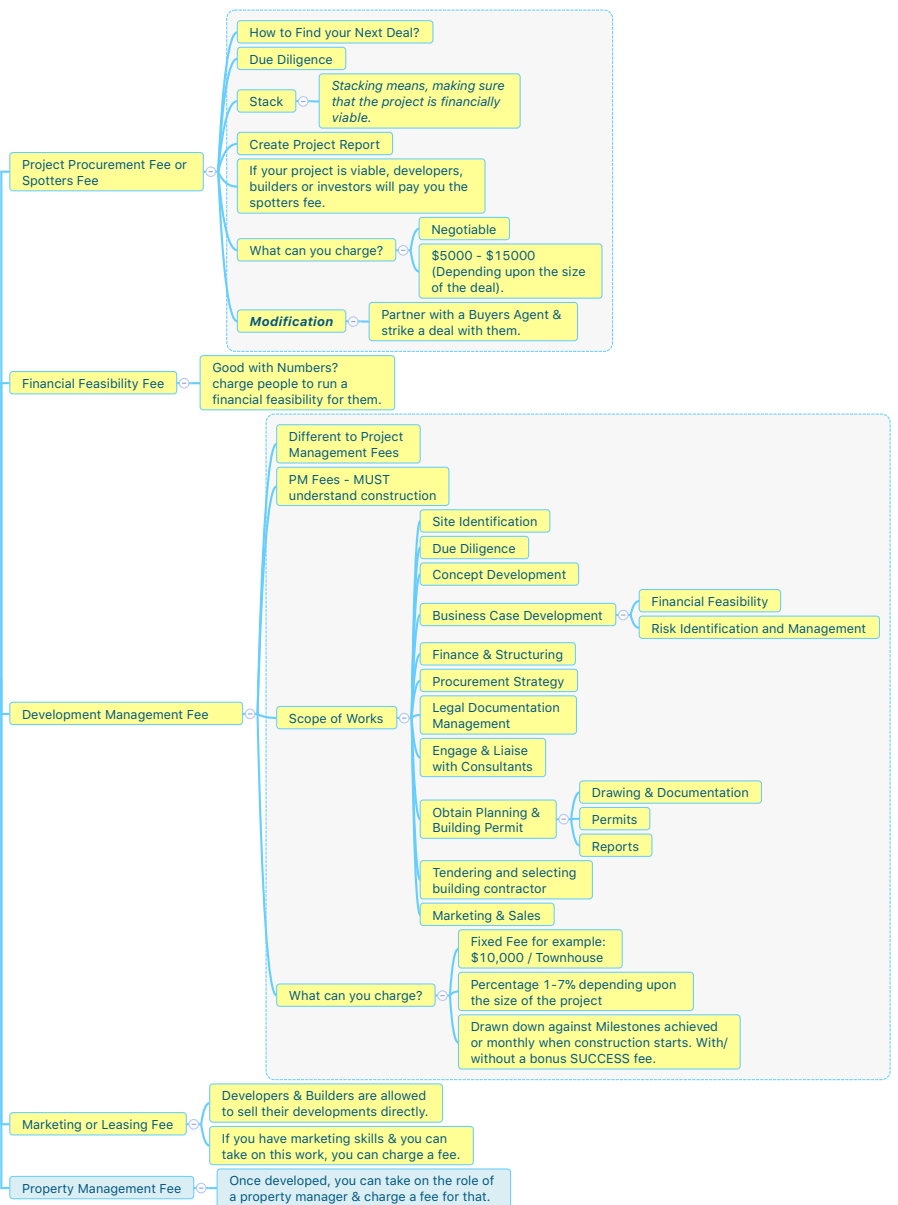
Equity that's built overtime or by adding value.

More FREE Equity you have, the less you need to inject in a project.

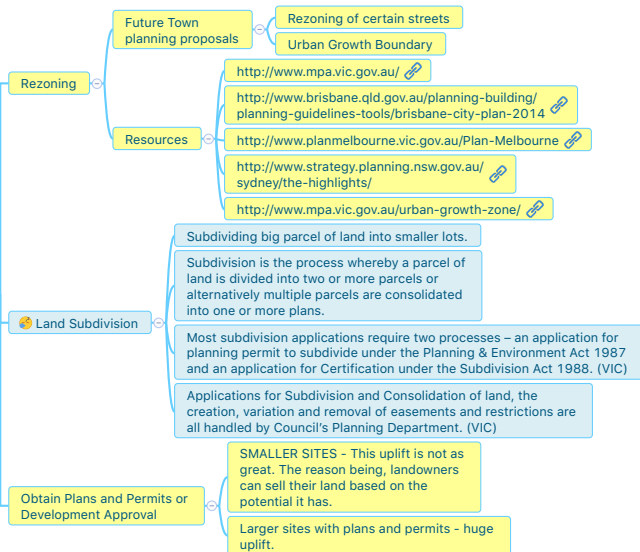


Strategies for Creating Sweat Equity

Generate Fees



Value Addition



JV with Landowner M

It's never a JV with landowner. ATO can create a lot of issues for the landowner in capital gains calculations. To avoid that, keep it clean create a new structure.

Transfer the land into another entity where both you and the land owner are shareholders/partners etc. Keep it clean. It attracts stamp duty, but is better than you getting caught in with the landowner when ATO is assessing their capital gains tax liability.

1. Landowner supplies the land & you put in the sweat equity.

Use the land as equity to get finance - NMDD

Landowner can realise higher value for land, then they can otherwise.

Only works if the landowner wants more for their land and is willing to wait.

They can also opt to rollover their profits into townhouses or apartments that will eventually be developed & held by them as long term investments.

Landowner puts in the land

You obtain the permits

Use land to organise the construction loan

At the end of the project, the landowner instead of getting cash for their land, gets townhouses or apartments.

Project can start quicker, as the equity is already in the land.

Staged Acquisition

common in land subdivision

Instead of acquiring hectares of land in one hit, you acquire in smaller chunks.

Develop, sell and then move one to the next chunk.

IMPORTANT FACTORS TO CONSIDER

Is there a mortgage on land?

How Much?

Does the site already have a permit?

What does the land owner want?

When do you pay off the land owner?

2. Granting the developer development rights over the land.

Development Agreement

Call Option

an option allows one party the enforceable right to buy something at a future time at a particular price.

Usually the landowner will get a higher value for their land in exchange for time.

3. Landowner providing vendor finance

Agree on a price for land

Negotiate - to pay 50% now and rest can be financed by the vendor. It's all open to negotiation.

Agree on a suitable interest rate. (It is usually 1-2% higher than normal bank interest, otherwise there is no incentive for the landowner). If the amount is large, a smaller interest rate can be negotiated.

Negotiate an interest only loan.

Ensure a longer flexible term is negotiated, so you can extend if required without penalties.

Make sure that the landowner understands that once you go for construction loan, they will have a second mortgage on land and the first mortgage will be given to the senior lender.

Better interest on their money as compared to any bank.

What happens if the landowner requires cash to move on?

12-18 Month option

Terms - negotiable between the parties

No hard and fast rules to this, depends on landowners immediate needs & your ability to negotiate.

10 Steps for execution

1. Developer puts the deal together.

2. Do not Transfer the land in a new entity

Get a valuation done

Decide on share holding

Give the landowner the first mortgage on the land.

3. Have a JV/Unit holders agreement between the two parties.

4. Obtain Permits

5. Use equity in land to obtain construction loan.

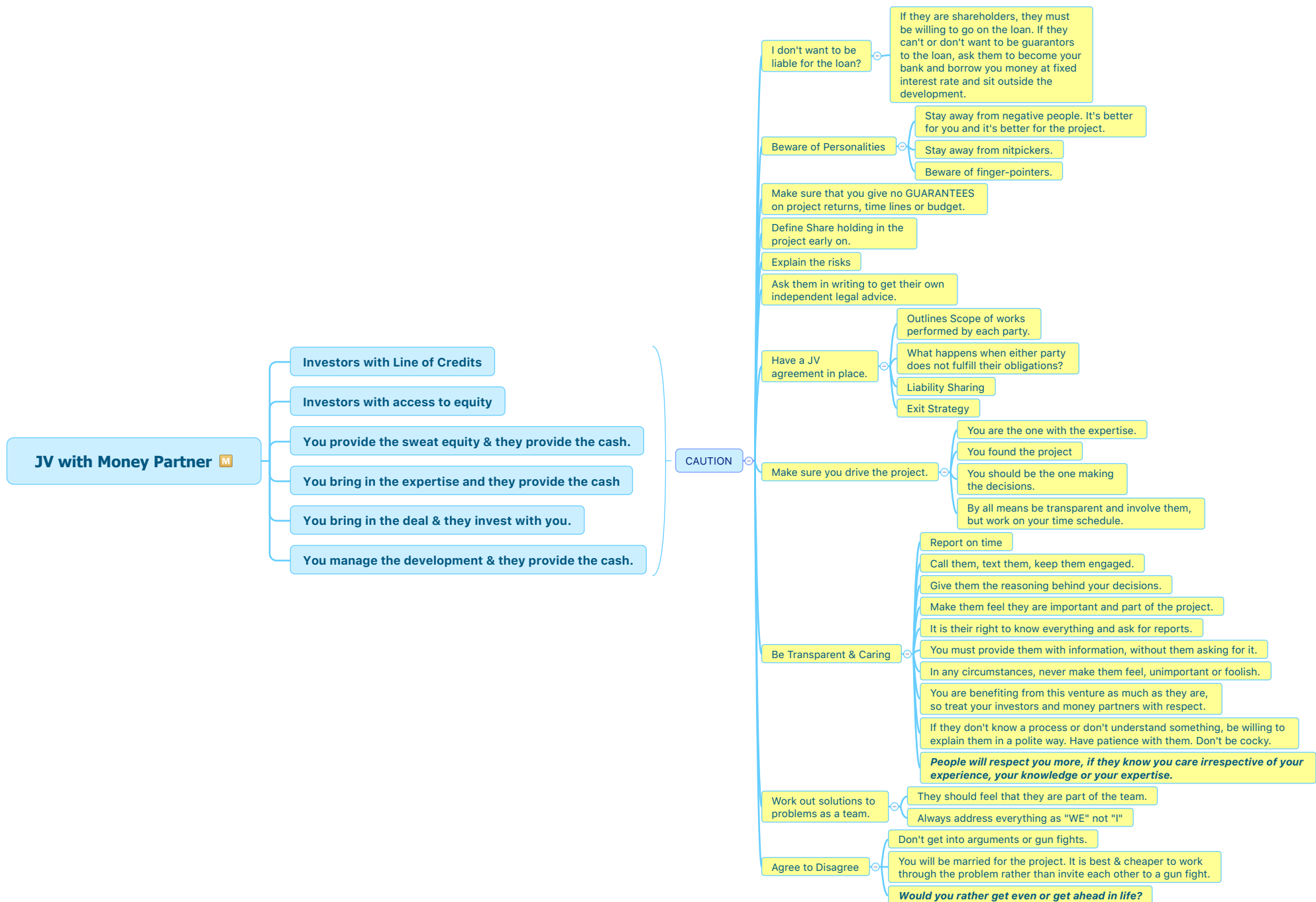
6. Develop and Sell the project

7. Bank/lender is paid from the settlement first

8. Landowner is then paid out for land from the remaining settlement funds.

9. Profits are distributed as per agreed share/unit holding.

10. Both parties throw a success party and invite all of us.



JV with a Builder

Often builders are looking for work.

Find a builder who can carry the construction & you can provide the land.

Cross Pollination is allowed.

You can have a JV with landowner and then a JV with a builder, in the same deal.

As long as everyone WINS.

Private Funding

Borrow money on a flat interest rate.

Use the development site as security.

Make sure your private lender understands that during construction, their security will switch from first mortgage to second mortgage.