



How To Overcome Fear In
Property Development?..

Fear In Property Development

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Fear In Property Development

Many investors have the potential to take their investment strategy to the next level, yet when it's time to take action, their fear causes them to self-sabotage or talk themselves out of a perfectly reasonable opportunity.

It's not uncommon to be guided by fear. Our fear instinct has played a key role in our evolutionary success as a species. Just as fear stopped primitive men from being burnt by hot fire, fear can also save us from modern-day risks like financial loss.

Perhaps this explains why some of us have fears about property development. After all, many of us are raised to believe that money is good and debt is bad.

Over time these beliefs become part of who we are. If we identify as being wealthy and having limited debt, then it can be very difficult to take actions that contradict this.

But just as a primitive man had to control his fear of fire to reap the benefits of heat, smoke and warmth, you too need to control your fear in order to reap the lucrative financial rewards that property development can provide.



F.E.A.R. Stands For “False Evidence Appearing Real”

If you believe that investing or developing is RISKY, then your fear will provide you with the evidence and the facts that it is risky.

Your head will serve you with a million reasons as to why you shouldn't do it...They may not even be terribly good reasons either. How many times have you thought to yourself, 'I don't have time to do that right now' or 'I'll get started on that project later'? Procrastination and avoidance are commonly linked to fear.

I once came across an investor from WA who wanted to invest in one of my deals, he was ready but it was his dad's money, so he needed his dad's permission.



When he went to his father, his father came up with so many horror stories as to why he shouldn't invest – that he dropped out of the deal. He said to me, “My uncle once invested in a deal and the builder went bust and the project stalled, so my father will not invest in another development”. These stories stick, but the facts are generally missing from these stories.

- Did they do their **due diligence**?
- Did they run their **feasibility study** in detail?
- Did they find out where the **property market cycle** was?
- Did they spend enough time to read the **Ultimate Guide To Getting Started In Property Development**?

Maybe they did, maybe they didn't.

The point is that fear will try to find evidence, rationale to support its goal. Unless you get to the bottom of your fear and take an objective **internal audit** of your hesitations, you, like the WA investor, will never reap the benefits of advanced investment strategies like property development.



How To Keep Fear At Bay When There's Millions Of Dollars On The Line

I can't tell you how you can overcome fear, but I can share with you how I handle it. Here are three strategies that have allowed me to keep fear at bay as I successfully executed over \$20 million dollars worth of development projects...

Managing Fear Tip #1: Education

Our fears fall into two broad categories:

- **Specific Fears**

For example: will all the units sell prior to construction?

- **Fear of the Unknown**

For example: will I lose all my money if I choose to develop property?

The difference between the two is that Specific Fears are based on a rational assessment of the facts but still have some degree of the unknown, whereas Fear of the Unknown is based on irrational concerns and gaps in knowledge.

The best way to manage the latter is through education – closing those information gaps.

I have this insatiable hunger to learn more. I read books, I take seminars and I like to invest in my mind. I think that somewhere along the line when I was growing up, I started believing that I can do anything as long as I got educated in it.



The WA investor (and his father) I mentioned above had a serious case of Fear of the unknown.

Had he done his homework he would have realized that property development is often not the fast track to bankruptcy he believed it to be. On the contrary, if he educated himself enough to fully understand the opportunity, perhaps he'd be sharing in the handsome profits that eventuated years later from the development he declined to be a part of.

I, on the other hand, was a part of that project. Why? Because I am a numbers man. I knew it was a good opportunity. I let my mind rule over my gut and I had education to thank for that.

Managing Fear Tip #2: Planning

Remember I mentioned the two types of fear? Planning is how I manage the Specific fears.

These are the rational fears of a particular outcome occurring or not occurring.

For example, what is my defense if I end up in [VCAT](#) (Victorian Civil and Administrative Tribunal) –(note: you end up in VCAT if the council doesn't approve of what you are proposing or there are objections by neighbors against your development)?

If you are in property development VCAT and dealing with authorities and objections are part of the game.

There is a difference between planning these things ahead of time and dealing with these things as they pop up. When you are not prepared and someone drags you to tribunal – you panic and your blood pressure goes up. In that situation you're unlikely to perform well... hardly a desirable situation for a critical moment in your development project.



I always spend that extra time identifying these issues and discussing them with my consultants before they happen. It is natural to be concerned about these situations, but a well thought-out contingency plan will usually keep fear at bay.

Managing Fear Tip #3: Stay Objective

Fear is a weird thing. We invent all kinds of dramatic scenarios in our heads that keep us up at night, but none of it is real. None of it has happened yet and chances are 99% of it never will.

When you're feeling overwhelmed, remind yourself of the facts. Facts, unlike fear, are real.

If I'm having a particularly testing day, I like to refer back to my due diligence, my market research and my [financial feasibility](#). These three documents contain all the concrete evidence I need to remind myself why I'm pursuing this opportunity and not others.

To that end, I want to share with you a powerful exercise you can use when you feel fear creeping in...



Exercise: Use These Statements To Eliminate Fear

When you are in the middle of a deal, all these negative thoughts will come to you, especially in your first deal. How you will deal with them will ultimately determine your long-term success.

Next time you experience anxiety or fear creeping in, tell yourself this:

“I am investing in LAND, which I have carefully chosen after stringent due-diligence. It's a good location and unless a bomb is dropped on the site, it's value, unlike shares, cannot go to zero overnight. So there is no way I can lose everything.”

“My worst-case scenario is that I have to hold this property over a longer period.”

“I can rent it out which can help with interest payments.”

“If I am developing apartments, I don't borrow for construction, unless I have achieved the pre-sales, which is risk mitigation.”

“In the long run, property has outperformed all other investments.”

“For the absolute worst case scenario to occur, before the bank comes knocking on my door:

1. All the profit that was in the deal has to evaporate.
2. All the equity that I had invested in the land has to evaporate.
3. ...And nothing at all can be sold or rented.



My due diligence has rendered the chances of an event like that occurring extremely slim.”



Survey Results: Common Investor Fears

I recently sent out a survey to a small list of investors. Inside, they were asked to share the fears they had about property development. Let me share some of their fears because you may also have similar concerns:

- Affording the right site...
- Affording all the repayments...
- Gaps in knowledge (e.g. creating a depreciation schedule)...
- Concerns about interest rates rising...
- Not getting ripped off...
- Actually making a profit...
- Raising money...
- Legal requirements...
- Fear of failure...
- Coming up with accurate numbers...
- Most of these concerns can be summed up in two broad categories:
 - Understanding the numbers
 - Finding the right site
- Here's the good news: you're not expected to know how to do everything yourself on day one of your property development journey.



Overcoming Fear In Practice

I am in no way perfect. I am far from it. I am no different than any of you reading this article. I love my money just as much as you do. I like to be protected just as much as you do. I have two kids, a wonderful wife – just like most of you. I am not **Living' La Vida Loca** by any means. But I have a thorough process I go through in my head to tackle fear.

Despite what my earlier fears might have had me believe, after +\$20 million in development projects and deals, I'm still standing :o)

Trust me I am not fear proof, but I understand how to handle it. I also have internal battles that I have to overcome and make sure that my heart and mind are in sync.

Finding the right site and accurately interpreting the numbers isn't something you're expected to do overnight. For most of us it is a gradual and iterative process that we learn along the way. My **property development system**, for example, takes you step-by-step through each part of the process – incrementally overcoming fear as you work through each step.

Your journey may include my step-by-step system or it may not. What's important is that you have a game plan to educate yourself, carefully plan and remain objective, because ultimately, that's how you will overcome fear and accomplish the financial goals you set for yourself.