

PLATINUM

July 2017

# Commercial

Mastermind  
Event

Brisbane

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**Tamara Read**

*QLD State Coach*



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REAL ESTATE

# Event Outline -

- 6:00 – 6:30 Networking
- 6:30 - Start
- 6:30 – 6:45 Introductions
- 6:45 – 8:00 Accountability
- 8:00 – 8:30 Networking Break
- 8:30 – 10:00 Commercial

# Workshop Format

- Use microphone
- Involve everyone in the conversation
- Be supportive

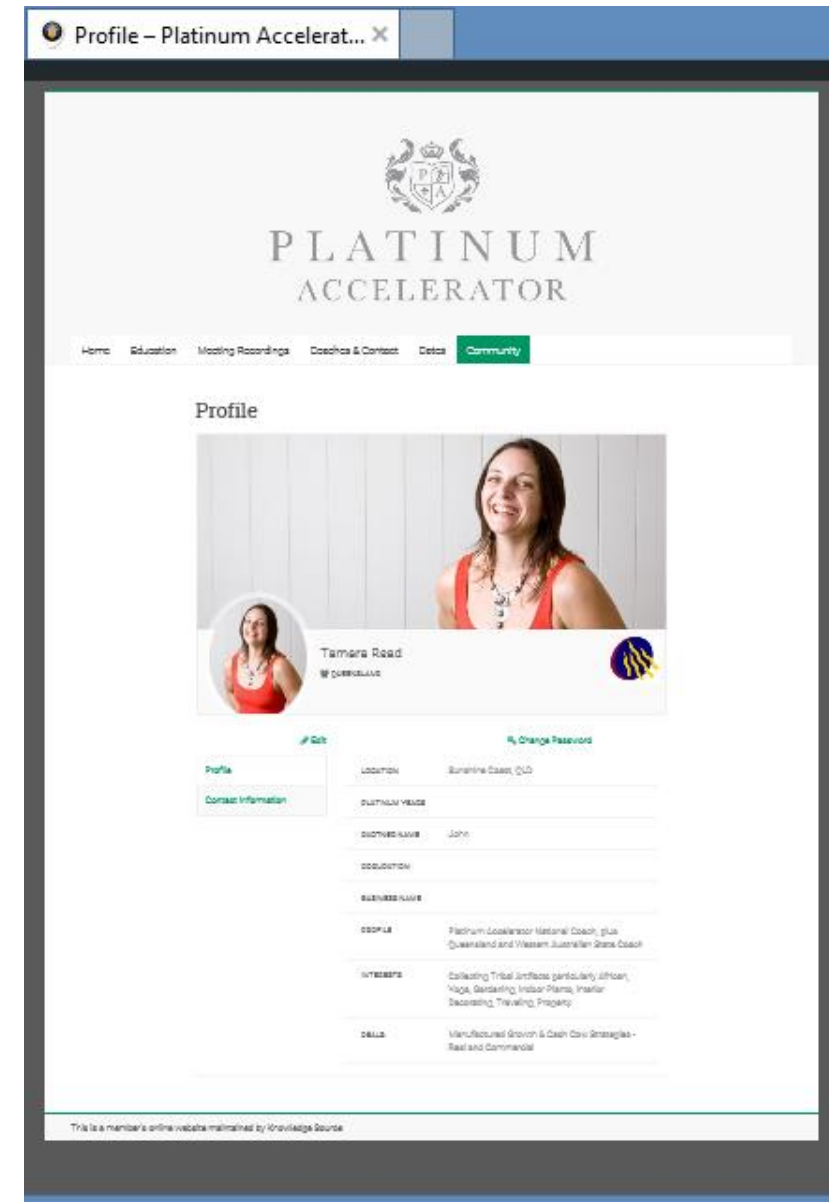
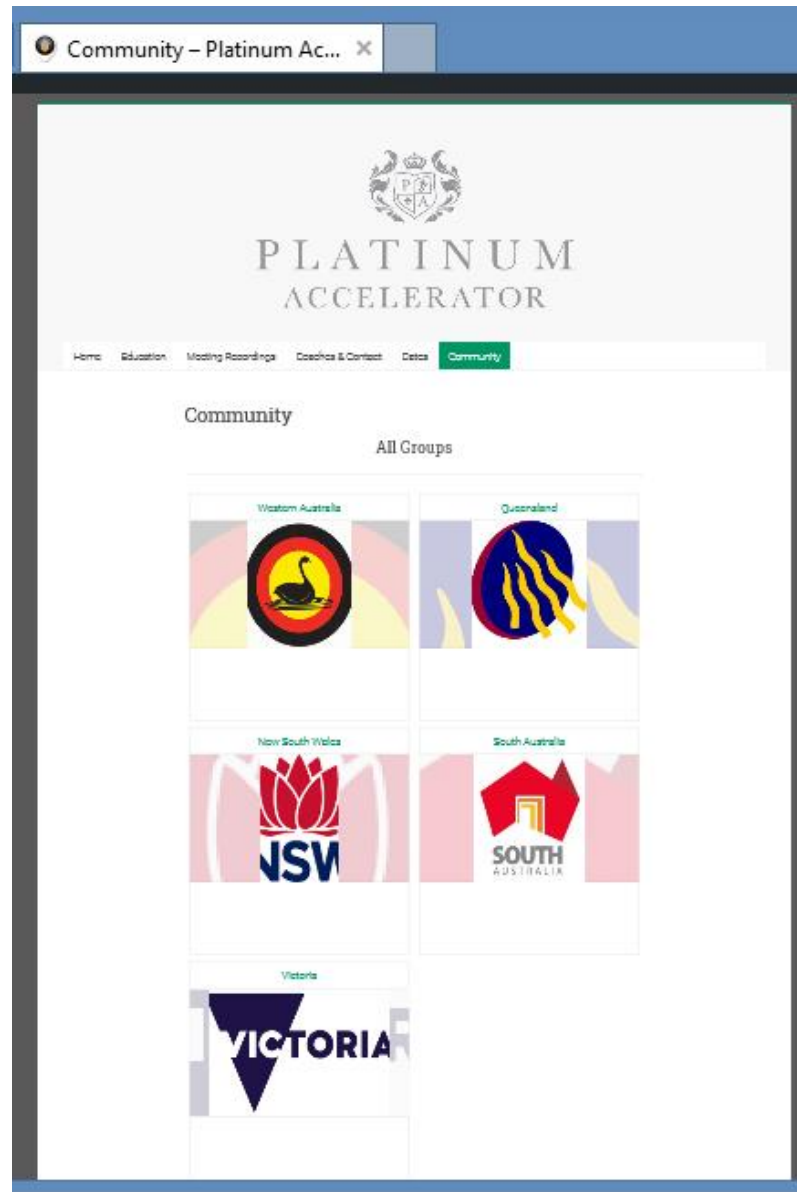


# Housekeeping

- **PA National Conference:** 19-20<sup>th</sup> August RSVP with Knowledge Source - Open bar evening on Fri 18<sup>th</sup> & Networking dinner evening of Sat 19<sup>th</sup>.
- **Bootcamps & Seminars:**
  - ❖ Mavericks – Brisbane 7<sup>th</sup> -9<sup>th</sup> July
  - ❖ Mavericks – Sydney 21<sup>st</sup> – 23<sup>rd</sup> July
  - ❖ Millionaire Within – Brisbane 28<sup>th</sup> – 30<sup>th</sup> July

# Housekeeping

- Community Page on website – Fill in your profile & connect!!!
- Partner search via the “Advanced” Search function



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# Hormones & Success

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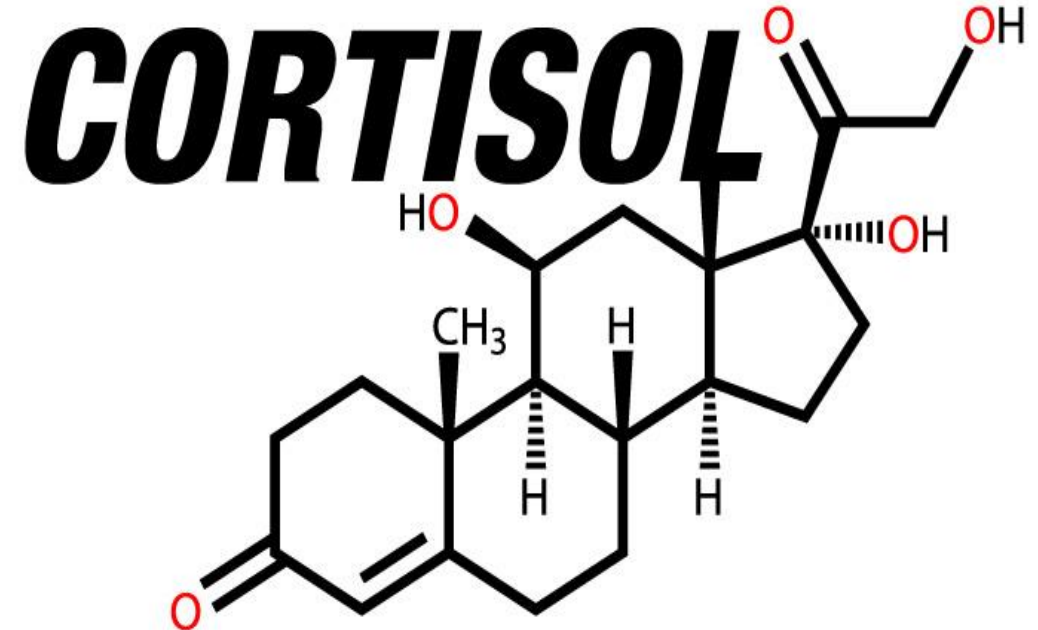
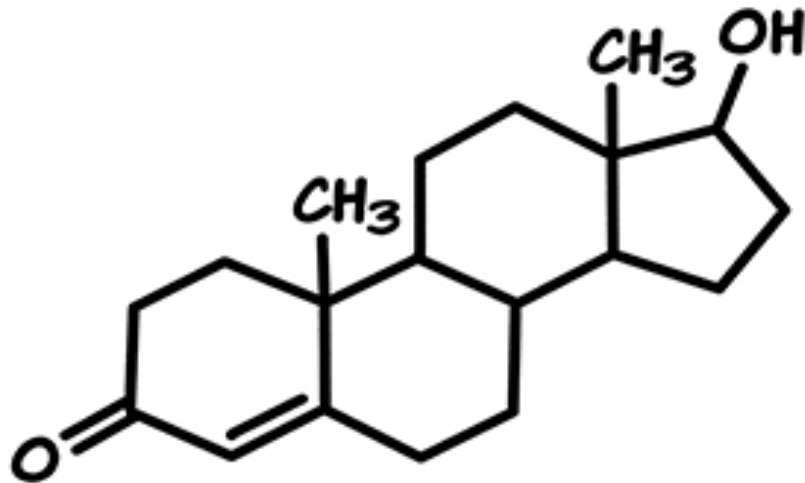
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# Your Hormone levels affect your Success



Which Hormones have the greatest effect?

TESTOSTERONE



- Recent research coming out of Harvard University, The University of Oregon, The University of Texas and many other places is revealing that **powerful and effective leaders** not only **share similar mindsets**, but also **similar hormone levels**.
- More specifically, powerful leaders tend to have **higher levels of testosterone** and **lower levels of cortisol**.
- **Higher** levels of **testosterone** (in both men and women) lead to increased **feelings of confidence**.
- **Lower** levels of **cortisol** lead to **decreased anxiety** and an improved ability to **deal with stress**.

- What is particularly important about testosterone and cortisol is that your levels of each **hormone can change rapidly** depending on the **social, physical, and environmental cues** that surround you.
- **What does this have to do with feeling more confident and ultimately successful?**



# The physical cues that impact these two hormones the most = **Body Language**

- If you understand how to **improve your body language**, then you can **increase your testosterone**, **decrease your cortisol**, and “magically” **feel more confident, risk tolerant, less anxious, less fear and more inclined to take action**
- This leads to having more success and having more wealth!!

- Amy Cuddy is a researcher at Harvard University who studies body language and the impact it has on your hormones.
- Cuddy and her team have classified different body positions as “high power” or “low power” poses. In general, the high power poses are open and relaxed while the low power poses are closed and guarded.



“High Power” body language (top row)  
vs.  
“Low Power” body language (bottom row)

(Images courtesy of Amy Cuddy, Harvard University)

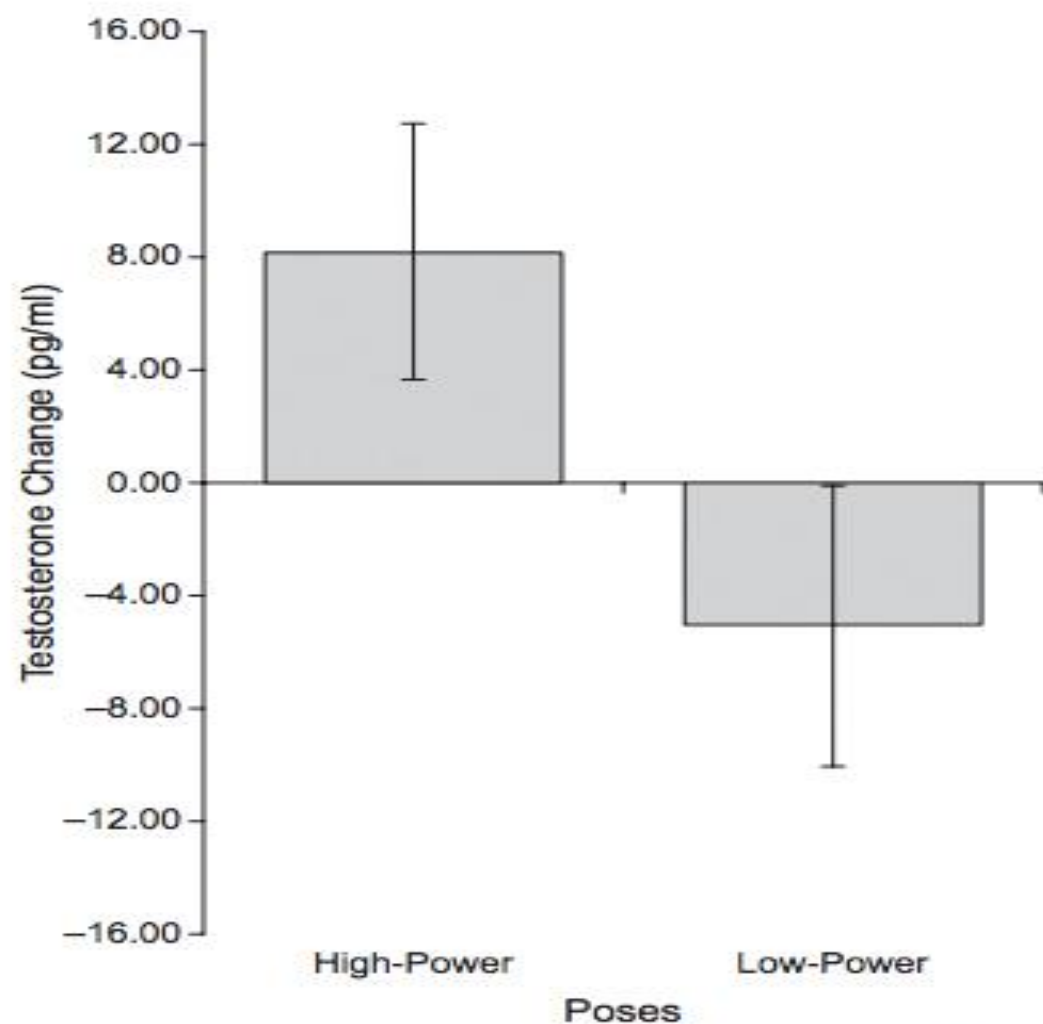


- Cuddy and her research team studied the impact of high power and low power poses by **conducting a research study on 42 students**. Here's how the study went down...
- 1) a **saliva sample** was taken from each subject and their testosterone and cortisol levels were measured.
- 2) the subject was asked to **sit in** either a high power pose or a low power pose for **two minutes**.
- 3) a **second sample of saliva** was taken from each subject and their **testosterone and cortisol levels** were measured again.

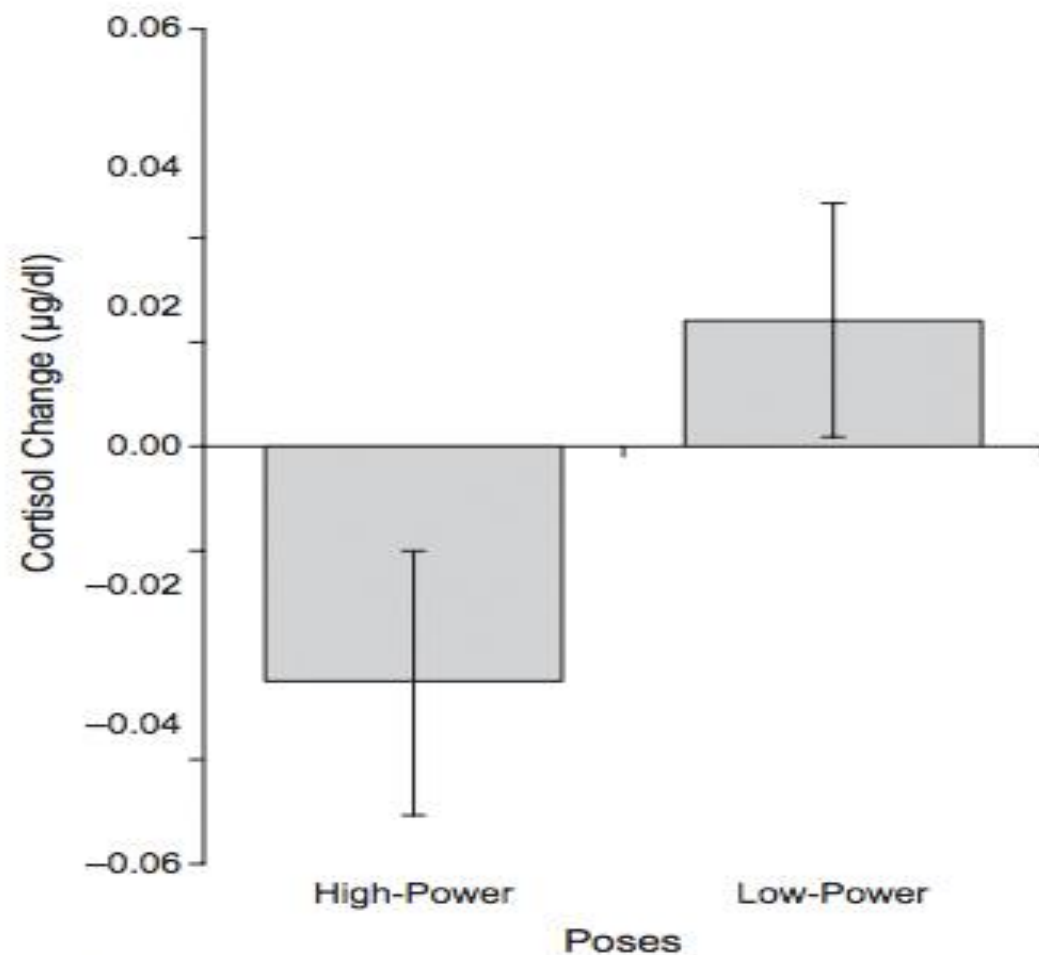
- When the researchers looked at the results, they were stunned by the impact that body language had on the hormones within the body.
- High power poses **increased testosterone by 20%** and **decreased cortisol levels by 25%**.



## Change in Testosterone and Cortisol After 2 Minutes of "Power Poses"



**Fig. 3.** Mean changes in the dominance hormone testosterone following high-power and low-power poses. Changes are depicted as difference scores (Time 2 – Time 1). Error bars represent standard errors of the mean.



**Fig. 4.** Mean changes in the stress hormone cortisol following high-power and low-power poses. Changes are depicted as difference scores (Time 2 – Time 1). Error bars represent standard errors of the mean.

SO.....

How can you use this information to increase your success and wealth?

**Stand Like This for 2 Minutes Per Day**



**LETS GIVE IT A GO !!!!**



# Making This Work in Real Life

- If you're aware of it, **body language is easy to adjust** throughout your day
- Here's a pattern that Dymphna has been playing with recently...
- Each morning, wake up and stand in a **high power pose for two minutes**. While doing that, close your eyes, **breathe in deeply** for a count of 3, hold for 1, and then breathe out fully for a count of 5. In this way, you are combining breathing exercises, meditation, and power poses for a relaxing and confidence-boosting start to the day.
- Plus, it **only takes 120 seconds**. It's kind of hard to say you don't have time for it.

# You now have another tool in your toolbox

- A few minutes before your next presentation, interview, meeting or negotiation — take a moment to adjust your posture and stand in a powerful position. Put your hands on your hips, keep your chin up, and your chest out. Doing this for just two minutes will raise your testosterone and increase your confidence, while also decreasing your cortisol and improving your ability to handle stress.
- Your behaviors and emotions are firmly tied.
- The most powerful leaders don't merely think a certain way, they **carry themselves** a certain way. **You should do the same!!**

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# Accountability

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# Commercial

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# PLATINUM

# James & Nicolle Beer



- 3<sup>rd</sup> Year Platinum's
- Contact Details on PA Website Community Page

# 39 POWER ROAD

Bayswater 3153

# AUCTION

Wednesday 12th August at 12 noon on-site

## Investment Opportunity



**appleby**  
real estate

COMMERCIAL AND RESIDENTIAL SPECIALISTS

# 8727 9555

[www.appleby.com.au](http://www.appleby.com.au)

20 STATION ST, BAYSWATER 3153

## The Deal

- Agent Brochure

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# PLATINUM



**39 Power Road, Bayswater 3153**

Flexible investment opportunity

1 title - 5 tenancies

Solid returns

Land area 1946m<sup>2</sup>

Building area 950m<sup>2</sup>

**appleby**  
real estate

COMMERCIAL AND RESIDENTIAL SPECIALISTS

**AUCTION**

Wednesday 12th August at 12 noon on-site

Nick Draffin 0407 058 223

Philip Leeson 0417 389 514

Melways ref: 64, G4

**8727 9555**  
[www.appleby.com.au](http://www.appleby.com.au)

20 STATION ST, BAYSWATER 3153

**Advertised Details:**

SECURE, SOLID INVESTMENT  
OPPORTUNITY

AUCTION:

Solid Investment Opportunity

5 Separate tenants 1 title

Long standing tenants

Good rental return

Land Area: 1946m<sup>2</sup>

Building Area: 950m<sup>2</sup>

Current net rental of \$56,451

(Auction Terms:)

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# The Deal



# Unit 1



Unit 1 Graffiti



Unit 1 Internals

# Unit 2



Unit 2 Internal



Unit 2 Toxic Chemicals

# Unit 3 & 4



Unit 3 & 4 Car park Area



Unit 3 Internals



Unit 4 Internals



Unit 4 Internals



Unit 4 Internals

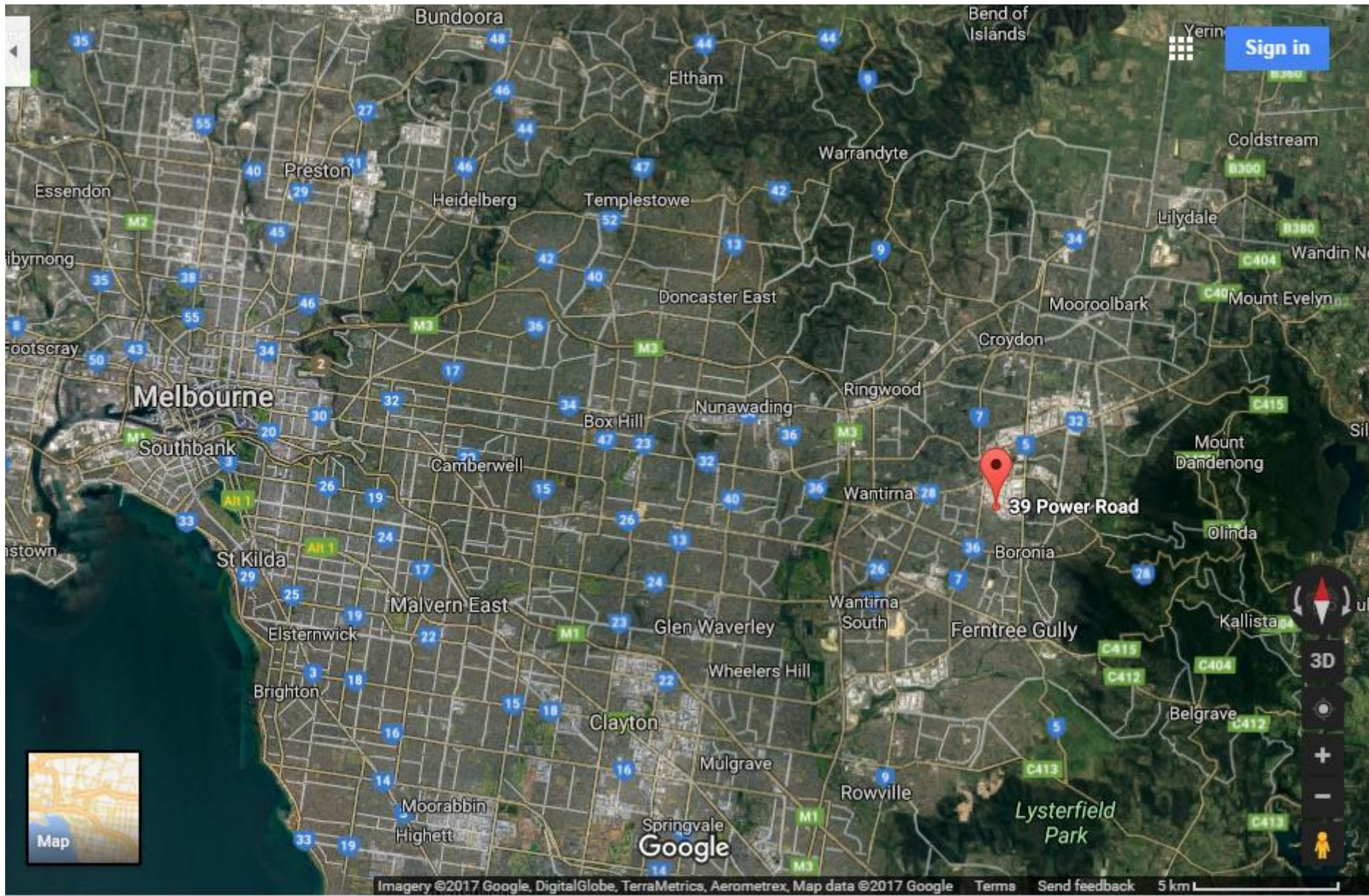
# Unit 5



# Deal Analysis Outline

- Location Review
- Tenant Review
- Identify Potential Deal Strategies
- Calculate Potential Purchase Price – Capitalisation & Comparison Methods
- Determine Potential to Increase Rent & Impact on Value
- Determine Potential of Strata Title & Impact on Value
- Revalue Potential to Release Equity



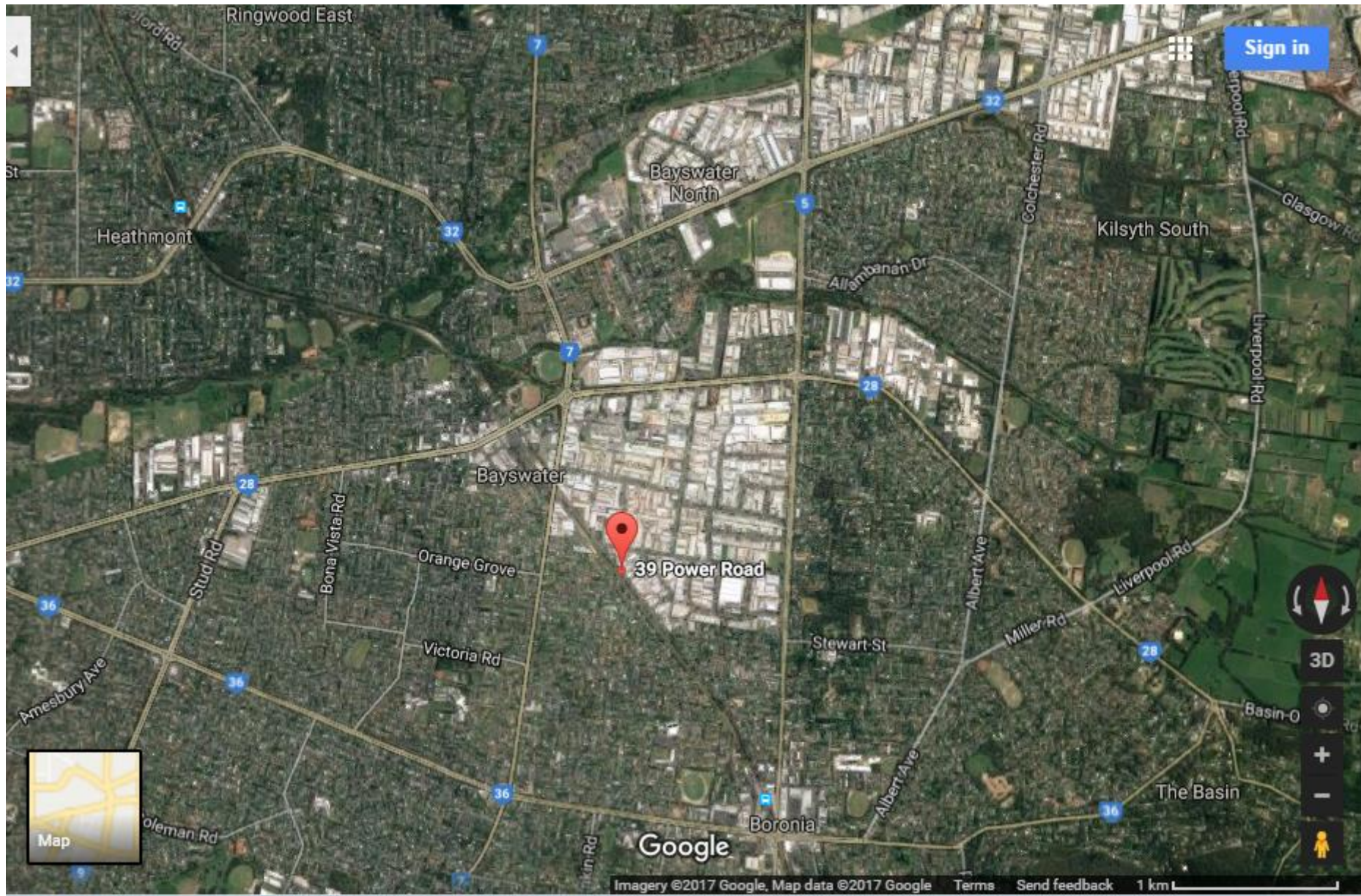


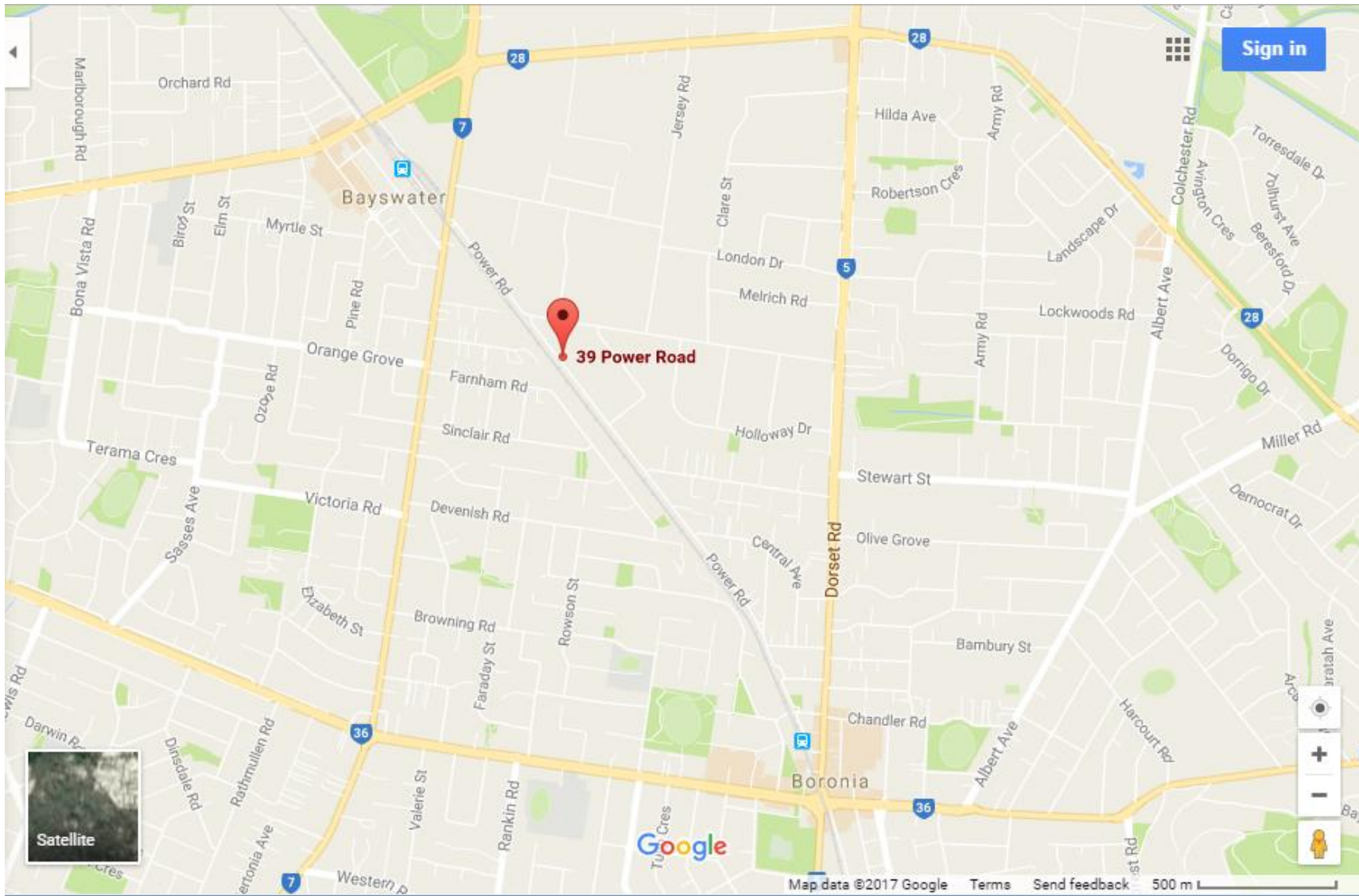
Location:

39 POWER RD

BAYSWATER

MELBOURNE







# 1a. Activity – Location Review

- On your table – review the location & summarise the characteristics

## Location Characteristics

Melbourne CBD – 28km

800m to Bayswater commercial centre

Land locked industrial estate

Well established & fully developed industrial estate

Easy access to Eastlink Freeway – CBD & suburb access

Main road exposure = Exposure

Across road = railway line & residential

Train stations x2 near by

On edge of industrial estate

# 1b. Activity – Location Review

**D = Demand Affected**  
**S = Supply Affected**

- Group Discussion – Contrast the location characteristics

Location Characteristics	Contrast
Melbourne CBD – 28km	
800m to Bayswater commercial centre	
Land locked industrial estate	
Well established & fully developed industrial estate	
Easy access to Eastlink Freeway – CBD & suburb access	
Main road exposure = Exposure	
Across road = railway line & residential	
Train stations x2 near by	
On edge of industrial estate	

# 1b. Activity – Location Review

**D = Demand Affected**  
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- Group Discussion – Contrast the location characteristics

Location Characteristics		Contrast	
Melbourne CBD – 28km	✓	Smaller population	<b>D</b>
800m to Bayswater commercial centre			
Land locked industrial estate			
Well established & fully developed industrial estate			
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Melbourne CBD – 28km	✓	Smaller population	D
800m to Bayswater commercial centre	✓	Isolated from business district	D
Land locked industrial estate			
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Location Characteristics		Contrast	
Melbourne CBD – 28km	✓	Smaller population	D
800m to Bayswater commercial centre	✓	Isolated from business district	D
Land locked industrial estate	✓	Near vacant land = future expansion	S
Well established & fully developed industrial estate			
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Land locked industrial estate	✓	Near vacant land = future expansion	<b>S</b>
Well established & fully developed industrial estate	✓	New estate = vacant land/new buildings	<b>S</b>
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Well established & fully developed industrial estate	✓	New estate = lots vacant land/new buildings	<b>S</b>
Easy access to Eastlink Freeway – CBD & suburb access	✓	Distance to highway/motorway	<b>D</b>
Main road exposure = Exposure			
Across road = railway line & residential			
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Land locked industrial estate	✓	Near vacant land = future expansion	<b>S</b>
Well established & fully developed industrial estate	✓	New estate = lots vacant land/new buildings	<b>S</b>
Easy access to Eastlink Freeway – CBD & suburb access	✓	Long distance to highway/motorway	<b>D</b>
Main road exposure = Exposure	✓	Poor exposure	<b>D</b>
Across road = railway line & residential			
Train stations x2 near by			
On edge of industrial estate			

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Train stations x2 near by			
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Main road exposure = Exposure	✓	Poor exposure	<b>D</b>
Across road = railway line & residential	✓	Isolated location	<b>D</b>
Train stations x2 near by	✓	Difficult to access	<b>D</b>
On edge of industrial estate			

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**D = Demand Affected**  
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- Group Discussion – Contrast the location characteristics

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Main road exposure = Exposure	✓	Poor exposure	<b>D</b>
Across road = railway line & residential	✓	Isolated location	<b>D</b>
Train stations x2 near by	✓	Difficult to access	<b>D</b>
On edge of industrial estate	✓	Middle of estate = competition?	<b>S</b>

**PROPERTY LISTING****SECURE,SOLID INVESTMENT OPPORTUNITY**

AUCTION 12TH OF AUGUST ONSITE MIDDAY

[Print Page](#)

- Solid Investment Opportunity
- 5 Separate tenants 1 title
- Long standing tenants
- Good rental return
- Land Area: 1946m<sup>2</sup>
- Building Area: 950m<sup>2</sup>
- Current net rental of \$56,451

**Property Details**

Address: 39 Power Road, BAYSWATER, VIC 3153  
Property ID: 8754

Component	Building Area (m <sup>2</sup> )	Land Area (m <sup>2</sup> )	Rental PA	Sale Price
Investment	950m <sup>2</sup> ((5 Seperate Tenancies))	1946m <sup>2</sup>	\$55,700.00	n/a

[All amounts are expressed as GST exclusive.]

**Contact****Nick Driffin**E-mail: [nick@appleby.com.au](mailto:nick@appleby.com.au)

Phone: 03 8727 9554

Mobile: 0407 058 223

**Philip Leeson**E-mail: [phil@appleby.com.au](mailto:phil@appleby.com.au)

Phone: 03 8727 9555

Mobile: 0417 389 514

**Features**

<b>Occupancy</b>	Tenanted: 5 seperate tenancies	<b>Zoning</b>	INDUSTRIAL 1	<b>Commenced</b>	VARIOUS
<b>Yield</b>	APPROXIMATELY 7%	<b>Lease Term</b>	VARIOUS	<b>Bonds / Guarantees</b>	VARIOUS
<b>Rent Review</b>	ANNUAL	<b>Car Spaces</b>	YES	<b>Availability</b>	
<b>Condition</b>		<b>Air Conditioning</b>		<b>Roller Doors</b>	YES
<b>Floors</b>		<b>Lifts</b>		<b>Sprinklers</b>	
<b>Height</b>		<b>Age</b>		<b>Car Parking Fees</b>	NIL

**Outgoings**

<b>Outgoings Payable</b>	BY TENANT	<b>Water Rates</b>
<b>Land Tax</b>		<b>Council Rates</b>
<b>Body Corporate / Insurance</b>		<b>Other Charges</b>

**Comments**

GOING CONCERN FOR GST PURPOSES

20 Station Street, Bayswater, VIC 3153  
Telephone +61 3 8727 9555 Facsimile +61 3 9729 3511  
Email [nick@appleby.com.au](mailto:nick@appleby.com.au)

# Agent IM = Information Memorandum

<b>NET RENTALS - 39 POWER ROAD</b>						
	<b>FACTORY 1</b>	<b>FACTORY 2</b>	<b>FACTORY 3</b>	<b>FACTORY 4</b>	<b>FACTORY 5</b>	
GROSS RENT	\$12,757.56	\$12,385.85	\$15,187.92	\$12,831.96	\$16,101.71	
LESS OUTGOINGS	\$2,233.33	\$2,233.33	\$2,992.20	\$2,537.87	\$3,006.28	
<b>NET RENTAL</b>	<b><u>\$10,524.23</u></b>	<b><u>\$10,342.20</u></b>	<b><u>\$12,195.72</u></b>	<b><u>\$10,294.09</u></b>	<b><u>\$13,095.43</u></b>	
<b>OUTGOINGS - 39 POWER ROAD BAYSWATER</b>						
	<b>FACTORY 1</b>	<b>FACTORY 2</b>	<b>FACTORY 3</b>	<b>FACTORY 4</b>	<b>FACTORY 5</b>	
WATER RATES	\$419.10	\$419.10	\$568.73	\$494.55	\$621.71	
COUNCIL RATES	\$1,197.00	\$1,197.00	\$1,693.00	\$1,369.00	\$1,614.00	
INSURANCE	\$317.23	\$317.23	\$430.47	\$374.32	\$470.57	
ESSENTIAL SAFETY & FIRE	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	
<b>TOTAL OUTGOINGS</b>	<b><u>\$2,233.33</u></b>	<b><u>\$2,233.33</u></b>	<b><u>\$2,992.20</u></b>	<b><u>\$2,537.87</u></b>	<b><u>\$3,006.28</u></b>	
	<b>FACTORY 1</b>	<b>FACTORY 2</b>	<b>FACTORY 3</b>	<b>FACTORY 4</b>	<b>FACTORY 5</b>	
LEASE TERM	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	
FACTORY SIZE	158m2	160m2	214m2	186m2	234m2	
OCCUPATION COMMENCED	Dec-06	Dec-02	Mar-04	Aug-01	Nov-97	
USE	STEEL	SILVER	METAL	METAL	STORAGE	
	FABRICATION	PLATING	FABRICATION	POLISHING	MACHINERY	

## 2. Activity – Tenant Review

- On your table – review the tenancies

Tenant Review

## 2. Activity – Tenant Review

- On your table – review the tenancies

### Tenant Review

All long standing tenants

Month by month leases not great for income security = poor WALE

Month by month leases good when wanting flexibility to upgrade tenant / tenant terms

Month by month leases good when selling to potential owner occupier (vacant possession)

Chemical usages may be hazardous & check if approved usages

Rents not reviewed recently?

### ❖ WALE =

Weighted Average Lease Expiry (weighted average lease term remaining to expire across a multi tenanted property). WALE of 1 year = higher risk of vacancy in short term e.g. the avg lease term = 1 year. Weighted by rental income or square meters. Valuers will calculate

# 3. Activity – Potential Deal Strategies

- On your table – Review photos & list potential deal strategies – cash flow & value

Potential Strategies

### 3. Activity – Potential Deal Strategies

- On your table – Review photos & list potential deal strategies – cash flow & value

#### Potential Strategies

Increase rent to market value

Convert to term leases & improved terms

Renovate

Strata title into 5 lots

Rent additional hardstand areas

Identify additional lettable space (Lease area vs survey area)

Billboard on roof to advertise to adjacent commuter train-line – retain air rights

Install solar on roof & sell power to tenants

# 4. Activity – Determine Potential Purchase Price

- Auction = no list price!
- 2 Methods to determine market value:
  - ❖ Primary = Capitalisation Method
  - ❖ Secondary = Comparison Method

# Capitalisation Method - Determine Potential Price

○ 
$$\text{Market Value} = \frac{\text{Net Annual Income}}{\text{Area Capitalisation (Cap) Rate}}$$

- ❖ A) Determine Net Annual Income (From IM)
- ❖ B) Determine Area Cap Rate (Research Comparables & Opinions)
- ❖ C) Calculate Market Value

# 4A. Activity – Calculate Net Annual Income

- Net Annual Income = Gross Annual Rent (Excl. GST) – Annual Outgoings (Excl. Interest)
- Calculate from IM

❖ **Answer:**

$$\$69,265.00 - \$13,003.01 = \$56,261.99$$

- Pick the Agents Error!!  
= \$189.68

- Must Double Check EVERYTHING

NET RENTALS - 39 POWER ROAD					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
GROSS RENT	\$12,757.56	\$12,385.85	\$15,187.92	\$12,831.96	\$16,101.71
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## 4B. Activity – Determine Area Cap Rate

- **Cap Rate = Subjective figure for an area & property class**
- List ways to determine the cap rate:
  - ❖ Commercial agents opinion
  - ❖ Valuers opinion
  - ❖ Calculate from comparable sales data – average of yield %

# Comparable Sales Data:

UNIT 17 / 200 Canterbury Road, BAYSWATER VIC 3153		
Sale Date	September 2014	Assumed Net Rent = \$16,575 pa
Sale Price	\$255,000	
Area (sqm)	Building	
	187	
A circa 1980's warehouse with 4.5m clearance and good quality purpose built fully glazed office.		



2/6 Clare St, Bayswater VIC 3153		
Sale Date	July 2014	
Sale Price	\$475,000	
Area (sqm)	Building	
	588	
A circa 1980 semi-detached brick warehouse with roller shutter door and basic office being situated at the rear of a multi-unit development. The Clare Street continues as Corporate Boulevard located to the east of Dorset Road. The premises sold with a 3+3+3 year lease commenced May 2012 with a current rent of \$34,183 pa. equating to \$58/sq.m.		



# Comparable Sales Data:

12/24 Longstaff Rd, Bayswater VIC 3153		
Sale Date	August 2014	
Sale Price	\$1,080,000	Assumed Net Rent = \$70,200 pa
Area (sqm)	Building	
	940	
A circa 2000's warehouse/office located at the rear of a strata industrial development. The warehouse comprises approximately 820 sqm and the office 120 sqm. The property also features a separate warehouse supervisors office, male and female amenities and electric roller shutter door.		



UNIT 4 / 19 Scoresby Road, BAYSWATER VIC 3153		
Sale Date	July 2014	
Sale Price	\$409,000	
Area (sqm)	Building	
	433	
Rate (\$/sqm)	Building	
	\$945	
A circa 1970 attached brick low clearance warehouse situated at the rear of a multi-unit development. Sold with a month to month tenancy in place. The property is leased for an annual rental of \$22,464 (\$52/sqm).		



# 4B. Activity– Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- **Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd				
2/6 Clare St				
12/24 Longstaff Rd				
4/19 Scoresby Rd				

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Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd	\$16,575	\$255,000		
2/6 Clare St	\$34,183	\$475,000		
12/24 Longstaff Rd	\$70,200	\$1,080,000		
4/19 Scoresby Rd	\$22,464	\$409,000		

# 4B. Activity– Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- **Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd	\$16,575	\$255,000	$(\$16,575 / 255,000) \times 100$	6.5%
2/6 Clare St	\$34,183	\$475,000	$(34,183 / 475,000) \times 100$	7.2%
12/24 Longstaff Rd	\$70,200	\$1,080,000	$(70,200 / \$1,080,000) \times 100$	6.5%
4/19 Scoresby Rd	\$22,464	\$409,000	$(22,464 / \$409,000) \times 100$	5.5%

○ **Summary range: 5.5% - 7.2%**

○ Commercial Agents: 6% - 8%

○ **Assume: 7% Cap rate**

# 4C. Activity – Calculate Potential Purchase Price

- Market Value = Net Annual Income / Area Capitalisation  
(Cap) Rate



# 4C. Activity – Calculate Potential Purchase Price

- Market Value = Net Annual Income / Area Capitalisation  
(Cap) Rate
- $\$56,261.99 / 0.07 = \$803,742$  ..... Round to \$800k!!

# 5. Comparison Method - Determine Potential Price

- Market Value = Square meter rate x rentable area

## 5a. Activity – Determine Square Meter Rate (Comparables)

Address	Square Meter	Sold Price	Calculation	Sqm Rate
17/200 Canterbury Rd				
2/6 Clare St				
12/24 Longstaff Rd				
4/19 Scoresby Rd				

- Range in Sqm Rate: \_\_\_\_\_

## 5. Comparison Method - Determine Potential Price

- Market Value = Square meter rate x rentable area

### 5a. Activity – Determine Square Meter Rate (Comparables)

Address	Square Meter Area	Sold Price	Calculation	Sqm Rate \$/m <sup>2</sup>
17/200 Canterbury Rd	187	\$255,000	\$255,000/187	\$1,364
2/6 Clare St	588	\$475,000	\$475,000/588	\$808
12/24 Longstaff Rd	940	\$1,080,000	\$1,080,000/940	\$1,149
4/19 Scoresby Rd	433	\$409,000	\$409,000/433	\$945

- Range: \$808 - \$1,364/m<sup>2</sup>
- Agents: \$1200 - \$1300/m<sup>2</sup>
- Valuer: \$845/m<sup>2</sup> (due to age)

# 5. Comparison Method - Determine Potential Price

- Adopt \$845/m<sup>2</sup> rate
- **Market Value** = Square meter rate x rentable area
- \_\_\_\_\_

## 5. Comparison Method - Determine Potential Price

- Adopt \$845/m<sup>2</sup> rate
- **Market Value** = Square meter rate x rentable area
- \$845/m<sup>2</sup> x 952m<sup>2</sup> = \$804,440
- Therefore \$803k Capitalisation method vs \$804k Comparison
- Negotiated prior to auction & **contracted at \$800k!!!**
- Bank val came in at contract price \$800k (surprise surprise) based on the above 2 val methods

## 6. Activity – Determine if Rent is at Market Value?

- Calculate from IM – Deal Rental Rate
- Net Annual Rental (Excl GST) / Net Lettable Floor Area

NET RENTALS - 39 POWER ROAD					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
GROSS RENT	\$12,757.56	\$12,385.85	\$15,187.92	\$12,831.96	\$16,101.71
LESS OUTGOINGS	\$2,233.33	\$2,233.33	\$2,992.20	\$2,537.87	\$3,006.28
<b>NET RENTAL</b>	<b><u>\$10,524.23</u></b>	<b><u>\$10,342.20</u></b>	<b><u>\$12,195.72</u></b>	<b><u>\$10,294.09</u></b>	<b><u>\$13,095.43</u></b>
LEASE TERM	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY
FACTORY SIZE	158m <sup>2</sup>	160m <sup>2</sup>	214m <sup>2</sup>	186m <sup>2</sup>	234m <sup>2</sup>
OCCUPATION COMMENCED	Dec-06	Dec-02	Mar-04	Aug-01	Nov-97
USE	STEEL	SILVER	METAL	METAL	STORAGE
	FABRICATION	PLATING	FABRICATION	POLISHING	MACHINERY

❖ **Answer: \$56,452/952m<sup>2</sup> = \$59.30/m<sup>2</sup>**

# Comparable Rentals:

**UNIT 1 / 10 London Drive,**  
**Date Set - Term** August 2015 -  
**Net Rental (\$/pa)** \$21,580  
**Floor Area (sqm)** 278

A clear-spanning semi-detached concrete block warehouse with basic amenities and 1st floor offices.



**UNIT 5 / 100 Canterbury Road,**  
**Date Set - Term** July 2015 -  
**Net Rental (\$/pa)** \$22,000  
**Floor Area (sqm)** 321

A circa 1960's attached brick office/warehouse with roller shutter door access and 3 phase power. The property includes a storage mezzanine and basic amenities.



**UNIT 2 / 5 Edelmaier Street,**  
**Date Set - Term** June 2015 -  
**Net Rental (\$/pa)** \$15,600  
**Floor Area (sqm)** 186

A circa 1970's low clearance attached warehouse with small office component, amenities, mezzanine and roller shutter door.



# 6. Activity – Calculate Market Rental Rates (Comparables)

- Rental Rate = Net Annual Rent (Excl GST) / Net Lettable Floor Area

Address	Net Annual Rent	Floor Area	Calculation	Rental Rate
U1/10 London Drv				
U5/100 Canterbury Rd				
U2/5 Edelmaier St				

- Range in Market Rental Rates: \_\_\_\_\_
- Deal Rental Rate = \_\_\_\_\_
- Is Deal Under Market Rent? \_\_\_\_\_

# 6. Activity – Calculate Market Rental Rates (Comparables)

- Rental Rate = Net Annual Rent (Excl GST) / Net Floor Area

Address	Net Annual Rent (Excl GST)	Net Floor Area	Rental Rate
U1/10 Lond...	\$21,580	278	\$78
U...	\$22,000	321	\$69
U2...	\$15,600	186	\$84

**460 units leased on Realcommercial.com.au in Bayswater Jan 2014-Aug2015 = Demand!!!!**

- Range in Market Rental Rates: \$69 - \$84/m<sup>2</sup>
- Deal Rental Rate = \$59/m<sup>2</sup>
- Is Deal Under Market Rent? YES!!!!

**4 Agents  
Feedback:  
\$70-\$85/m<sup>2</sup>**

# 7. Strategy 1 – Tidy Up & Increase Rent to Market Rent

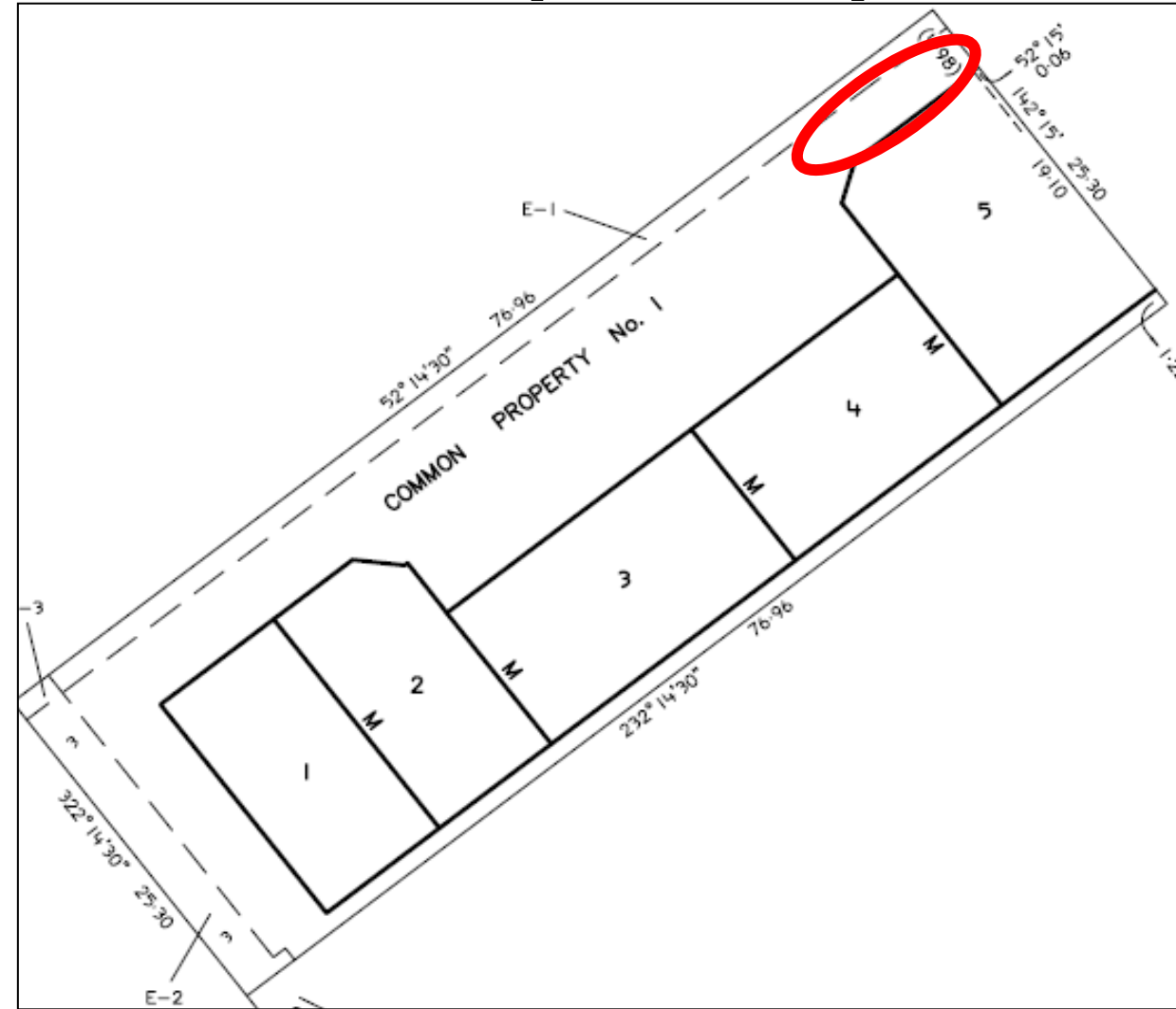


## 7. Activity – Calculate New Net Annual Income

- Targeting upper market rental rate = \$85/m<sup>2</sup>
- Net Annual Income = Rentable area x Rental Rate
- Answer: 952m<sup>2</sup> x \$85/m<sup>2</sup> = \$80,920/yr
- Increase in income? \$56,262 vs \$80,920 = Increase of \$24,658/yr

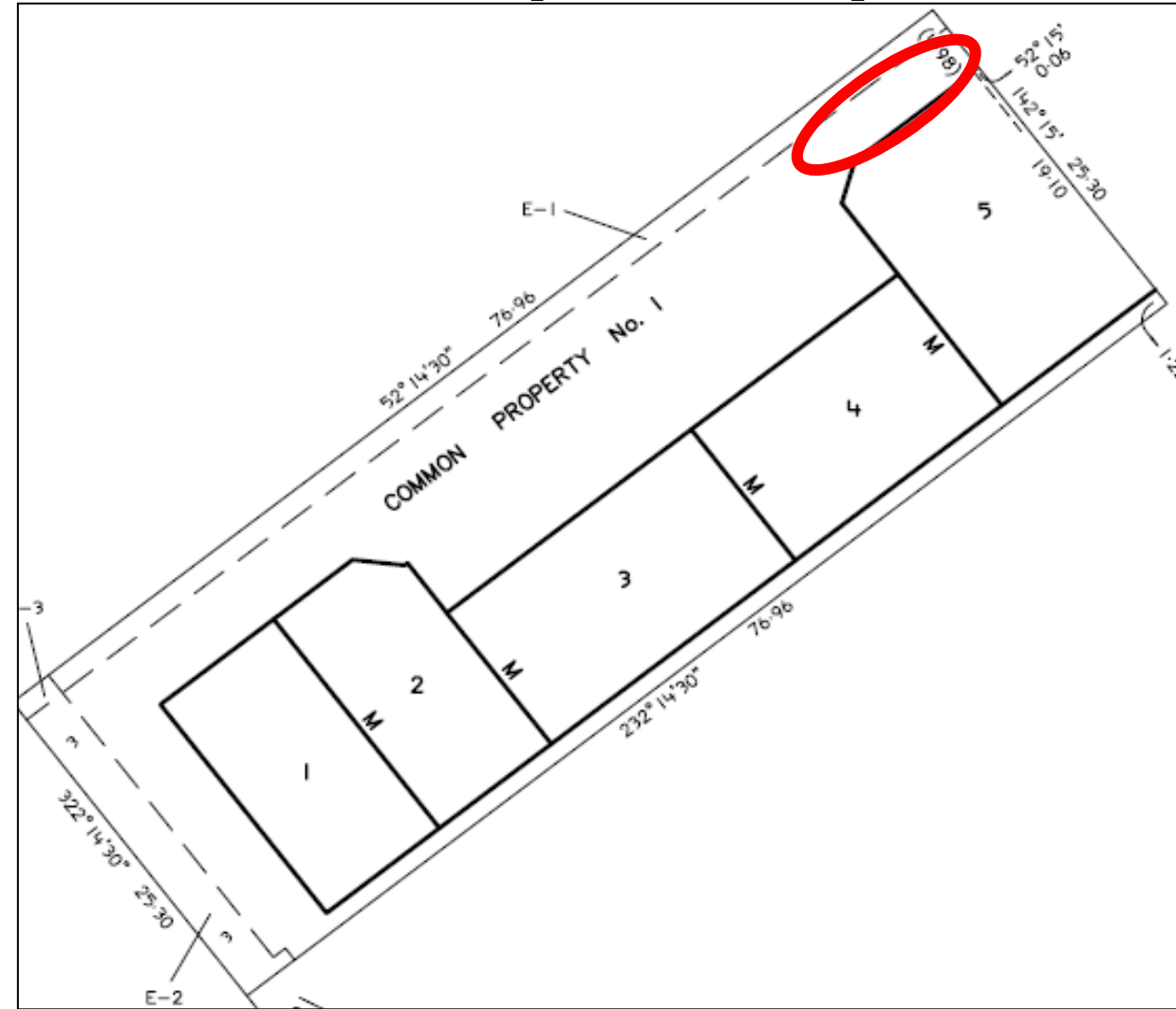
## 8. Strategy 2 – Rent Hardstand Area Separately

- 45m<sup>2</sup> hardstand area next to Unit 5 was being used by the tenant but not paid for
- Reclaim the hardstand area, fence off for exclusive use and rent to an existing tenant or new tenancy @ \$50/m<sup>2</sup>
- Additional Income?  
 $45\text{m}^2 \times \$50/\text{m}^2 = \$2,250/\text{yr}$



## 8. Strategy 2 – Rent Hardstand Area Separately

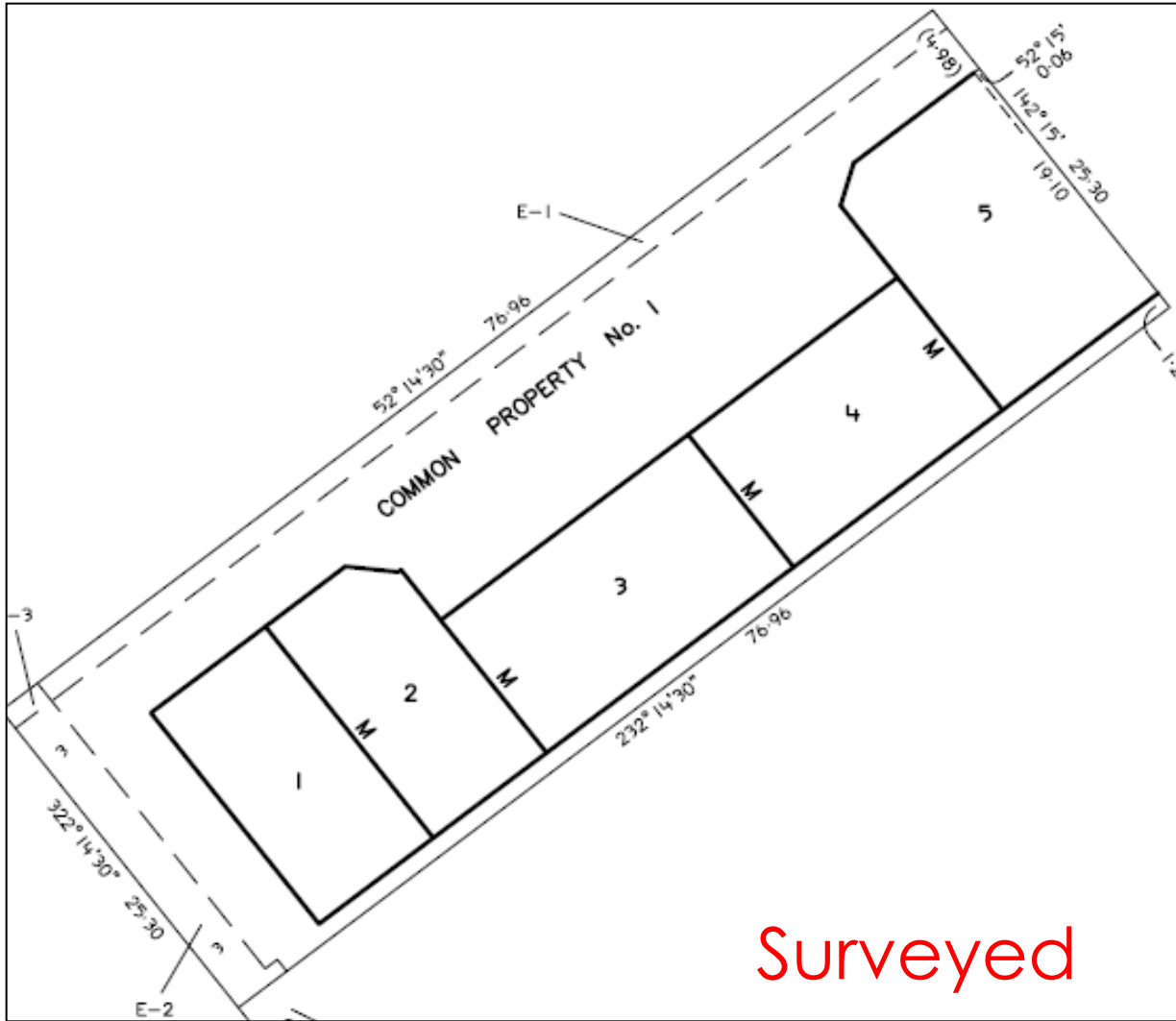
- 45m<sup>2</sup> hardstand area next to Unit 5 was being used by the tenant but not paid for
- Reclaim the hardstand area, fence off for exclusive use and rent to an existing tenant or new tenancy @ \$50/m<sup>2</sup>
- Additional Income?  
 $45\text{m}^2 \times \$50/\text{m}^2 = \$2,250/\text{yr}$



## 9. Activity – Effect of Increased Income on Value

- Assuming Cap Rate = 6.25% (As per Val after Reno)
- Market Value = Net Annual Income / Area Capitalisation  
(Cap) Rate
- Answer:  $(\$80,920 + \$2,250) / 0.0625 = \$1,330,720$
- Potential** Increase in Value :  $\$1,330,720 - \$800,000 = \$530,720$  !!!!

# 10. Strategy 3 – Strata Title into 5 Units (5 Lots)

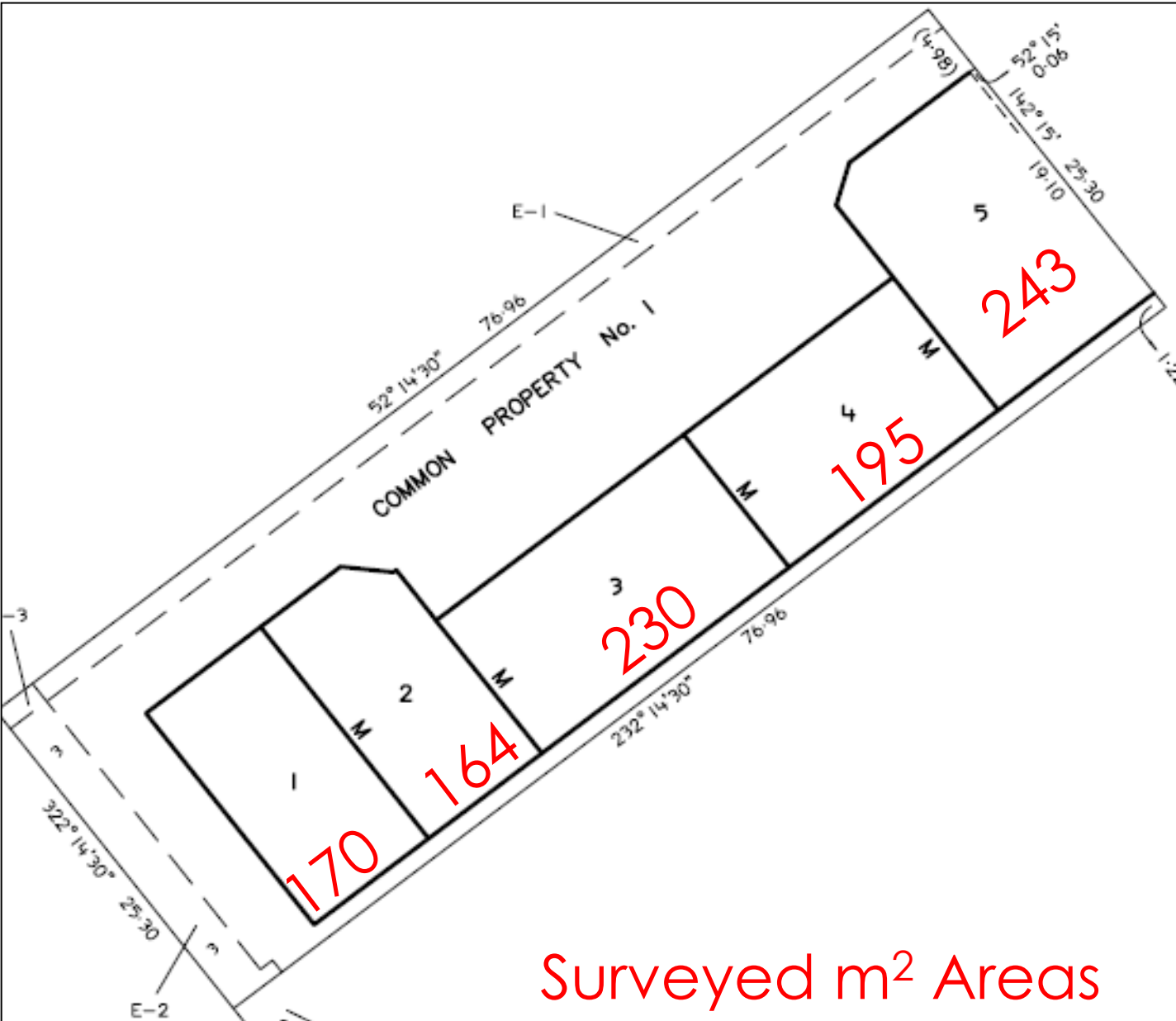


Surveyed



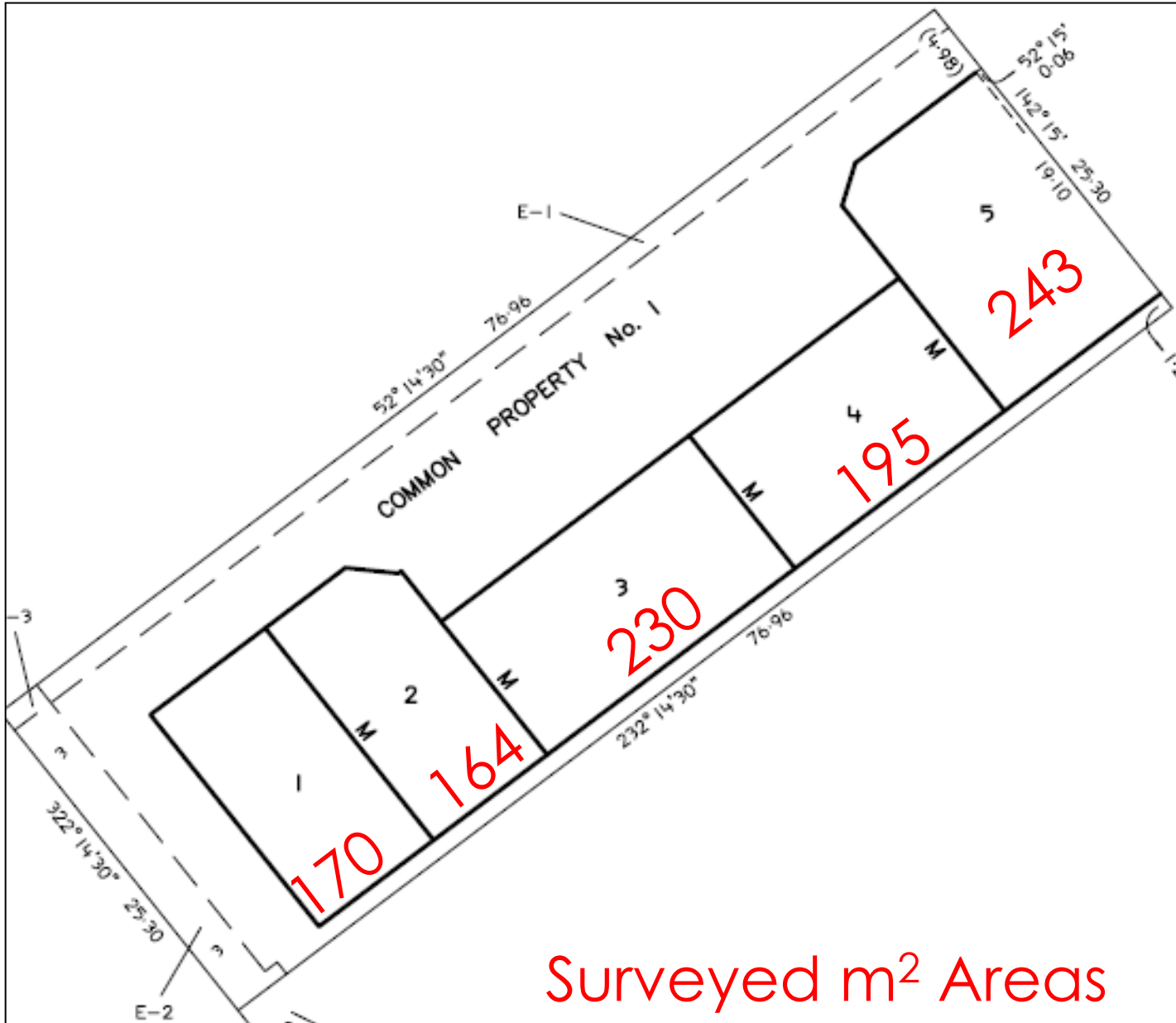
Fire Separation Works

# 10a. New Lettable Areas From Strata Survey Plan



Unit	m <sup>2</sup>
Unit 1	
Unit 2	
Unit 3	
Unit 4	
Unit 5	
Total	

# 10a. New Lettable Areas From Strata Survey Plan



Surveyed m<sup>2</sup> Areas

Unit	m <sup>2</sup>
Unit 1	170
Unit 2	164
Unit 3	230
Unit 4	195
Unit 5	243
Total	1002

Sold as 952m<sup>2</sup> = Extra 50m<sup>2</sup>!!!!

# 10b. Activity - Potential Value Add From Strata Titling

- 4 local agents feedback: Queue of potential owner occupiers to buy individual factories if property was strata titled and sold separately (vs sold “In-one-line”)
- Also demand from SMSF investors for lower cost investments
- Comparison Square Meter Rates + Agents feedback + Valuer confirmation = \$1299 - \$1493/m<sup>2</sup>
- Valuer Adopted Post Reno: \$1477m<sup>2</sup> (vs \$845/m<sup>2</sup> on purchase!!)
- **Market Value = Square meter rate x rentable area**
- Answer: \$1477/m<sup>2</sup> x 1002m<sup>2</sup> = \$1,479,954 **= \$680k increase in val in 17mths!!!**

# 11. Activity – Will Revaluation & Refinance Recoup Owner Funds in the Deal?

Item	
Purchase Price = Bank Val	
Bank Loan @ 80%	
Owner Funds (20%)	
Purchase Costs	\$55,498
Strategy Costs	\$50,374
Total Owner Funds Contributed	

Item	
Bank Revaluation	
New Bank Loan@65%	
Existing Bank Loan	
Equity Release	
Owner Funds to Payback	
<b>Additional Funds Released</b>	

# 11. Activity – Will Revaluation & Refinance Recoup Owner Funds in the Deal?

Item	
Purchase Price = Bank Val (A)	\$800,000
Bank Loan @ 80% (B=A x0.8)	\$640,000
Owner Funds (20%) (C=A x0.2)	\$160,000
Purchase Cost	\$750,574
Strategy Cost	
Total Owner Funds Contributed (F=C+D+E)	\$265,872

Item		
Bank Revaluation (G)	\$1,480,000	
New Loan @ 5%	\$962,000	
Bank Loan (B)	\$640,000	
Equity Release (I=H-B)	\$322,000	
Owner Funds to Payback (F)	\$265,872	
<b>Additional Funds Released (I-F)</b>		<b>\$56,128</b>

**All Owner Funds Paid Back Plus Extra \$56K Potentially Avail for Next Deal**

# QUESTIONS?