


PLATINUM
 ACCELERATOR



July 2017

Commercial

Mastermind
Event



Melbourne

Michael Tiemens
VIC State Coach





Event Outline -



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

Workshop Format

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



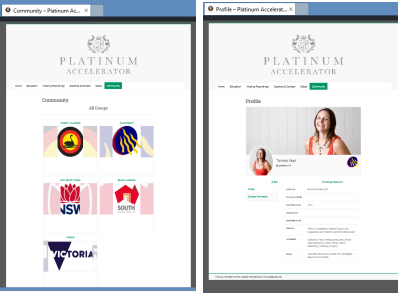
Housekeeping

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

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



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Hormones & Success

Your Hormone levels affect your Success

Hormones



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Which Hormones have the greatest effect?

TESTOSTERONE

CC12CCC3=C(C(=O)CC4=CC=CC=C4C3=O)CC[C@H]1[C@@H](O)C2

CORTISOL

CC12CCC3=C(C(=O)CC4=CC=CC=C4C3=O)CC[C@H]1[C@@H](O)C[C@@H]2O

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- 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**.

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- 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**.



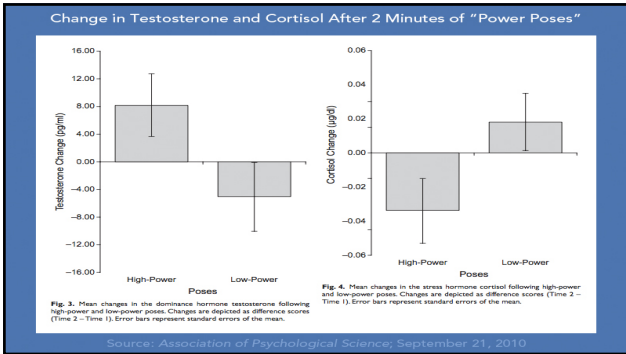


- o Cuddy and her research team studied the impact of high power and low power poses by **conducting a research study on 42 students**. Here's how the study went down...
- o 1) a **saliva sample** was taken from each subject and their testosterone and cortisol levels were measured.
- o 2) the subject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

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

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

Stand Like This for 2 Minutes Per Day

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LETS GIVE IT A GO !!!!

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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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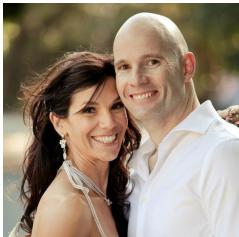


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Commercial

James & Nicolle Beer



- 3rd Year Platinum's
- Contact Details on PA Website Community Page

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39 POWER ROAD
Bayswater 3153

AUCTION
Wednesday 12th August at 12 noon on-site

Investment Opportunity



25m
60m

appleby
REAL ESTATE
COMMERCIAL AND RESIDENTIAL SPECIALISTS

8727 9555
www.appleby.com.au

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The Deal

- Agent Brochure



39 Power Road, Bayswater 3153

AUCTION
Wednesday 12th August at 12 noon on-site

Flexible investment opportunity
1 title - 5 tenancies
Solid returns
Land area 1946m²
Building area 950m²

Nick Draffin 0407 058 223
Philip Leeson 0417 389 614
Melaysia 08 64 04

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Advised Details:
SECURE, SOLID INVESTMENT OPPORTUNITY

AUCTION:
Solid Investment Opportunity
5 Separate tenants 1 title
Long standing tenants
Good rental return

Land Area: 1946m²
Building Area: 950m²
Current net rental of \$56,451 (Auction Terms:)

The Deal




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Unit 1




Unit 1 Graffiti




Unit 1 Internals

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Unit 2



Unit 2 Internal




Unit 2 Toxic Chemicals

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Unit 3 & 4



Unit 3 & 4 Car park Area



Unit 3 Internals



Unit 4 Internals



Unit 4 Internals



Unit 4 Internals

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Unit 5

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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

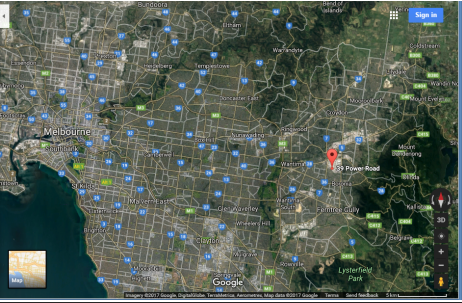
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Activity – Location Review

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

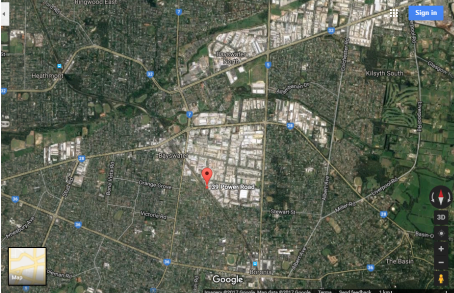
Location Characteristics

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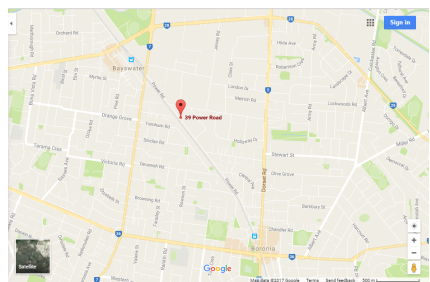


Location:
39 POWER RD
BAYSWATER
MELBOURNE

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1a. Activity – Location Review

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


Location Characteristics

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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


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1b. Activity – Location Review

- Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected


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	

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1b. Activity – Location Review D = Demand Affected
S = Supply Affected

o Group Discussion – Contrast the location characteristics


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

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Well established & fully developed industrial estate	✓	New estate = lots vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access	✓	Long distance to highway/motorway	D
Main road exposure = Exposure	✓	Poor exposure	D
Across road = railway line & residential			
Train stations x2 near by			
On edge of industrial estate			

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

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Easy access to Eastlink Freeway – CBD & suburb access	✓	Distance to highway/motorway	D
Main road exposure = Exposure	✓	Poor exposure	D
Across road = railway line & residential	✓	Isolated location	D
Train stations x2 near by	✓	Difficult to access	D
On edge of industrial estate	✓	Middle of estate = competition?	S

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2. Activity – Tenant Review

- On your table – review the tenancies

Tenant Review	
All long standing tenants	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
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?	

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3. Activity – Potential Deal Strategies

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


Potential Strategies

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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

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4. Activity – Determine Potential Purchase Price

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



Capitalisation Method - Determine Potential Price

- o Market Value = $\frac{\text{Net Annual Income (C)}}{\text{Area Capitalisation (Cap) Rate (B)}}$
- ❖ 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

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

❖ **Answer:**
 \$69,265.00 - \$13,003.01
 = \$56,261.99

- o Pick the Agents Error!! = \$189.68
- o Must Double Check EVERYTHING

	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
NET RENTALS - 39 POWER ROAD					
GROSS RENT	\$12,757.56	\$12,385.85	\$15,187.92	\$12,833.96	\$16,101.73
LESS OUTGOINGS	\$2,233.33	\$2,233.33	\$2,992.20	\$2,537.87	\$3,006.38
NET RENTAL	\$10,524.23	\$10,152.52	\$12,195.72	\$10,296.09	\$13,095.35
OUTGOINGS - 39 POWER ROAD BAYS WATER					
WATER RATES	\$419.50	\$419.50	\$568.75	\$494.55	\$621.71
COUNCIL RATES	\$1,197.00	\$1,197.00	\$1,693.00	\$1,369.00	\$1,614.00
INSURANCE	\$137.23	\$137.23	\$430.47	\$374.32	\$490.57
ESSENTIAL SAFETY & FIRE	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00
TOTAL OUTGOINGS	\$2,233.33	\$2,233.33	\$2,992.20	\$2,537.87	\$3,006.38



4B. Activity – Determine Area Cap Rate

- o **Cap Rate = Subjective figure for an area & property class**
- o 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.



2/5 Clare St, Bayswater VIC 3153	
Sale Date	July 2014
Sale Price	\$475,000
Area (sqm)	Building
	558

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 \$59/sqm.



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
	140

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	\$406,000
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				



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		
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%**
- Assume: 7% Cap rate**
- Commercial Agents: 6% - 8%




4C. Activity – Calculate Potential Purchase Price

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

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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!!

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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: _____

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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 ²
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/m²
- Agents: \$1200 - \$1300/m²
- Valuer: \$845/m² (due to age)

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5. Comparison Method - Determine Potential Price

- Adopt \$845/m² rate
- Market Value = Square meter rate x rentable area
- _____

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5. Comparison Method - Determine Potential Price

- Adopt \$845/m² rate
- Market Value = Square meter rate x rentable area
- \$845/m² x 952m² = \$804,440
- Therefore \$803k Capitalisation method vs \$804k Comparison
- Passed in at auction and contracted at \$800k!!!
- Bank val came in at contract price \$800k (surprise surprise) based on the above 2 val methods

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6. Activity – Calculate Market Rental Rates (Comparables)

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

Address	Net Annual Rent	Net Lettable Area	Rental Rate
U1/10 Land	\$21,580	278	\$78
U1	\$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/m²
- Deal Rental Rate = \$59/m²
- Is Deal Under Market Rent? **YES!!!!**

4 Agents Feedback: \$70-\$85/m²

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

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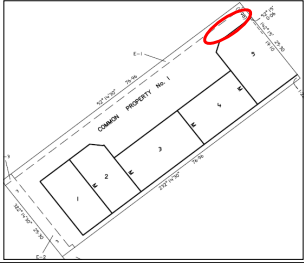
7. Activity – Calculate New Net Annual Income

- Targeting upper market rental rate = \$85/m²
- Net Annual Income = Rentable area x Rental Rate
- Answer: 952m² x \$85/m² = \$80,920/yr
- Increase in income? \$56,262 vs \$80,920 = Increase of \$24,658/yr

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8. Strategy 2 – Rent Hardstand Area Separately

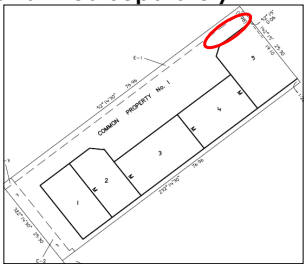
- 45m² hardstand area next to Unit 5 was being used by the tenant but not paid for
- Reclaim the hardstand area, fence off for exclusive use and rent to an existing tenant or new tenancy @ \$50/m²
- Additional Income?
45m² x \$50/m² = \$2,250/yr



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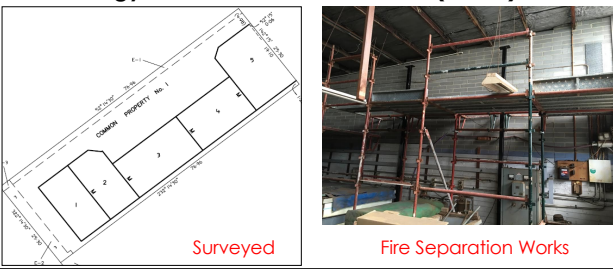
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9. Activity – Effect of Increased Income on Value

- 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 : $\$1,330,720 - \$800,000 = \$530,720$!!!!!

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



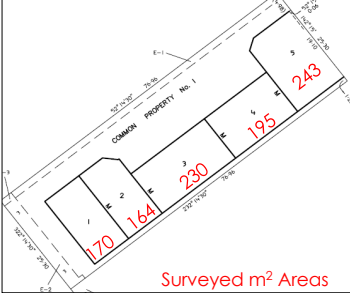
Surveyed

Fire Separation Works

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10a. New Lettable Areas From Strata Survey Plan



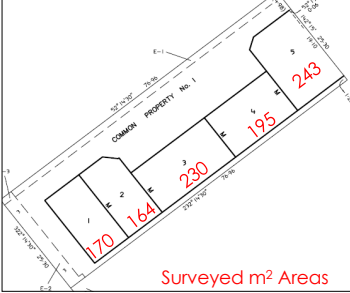
Surveyed m² Areas

Unit	m ²
Unit 1	
Unit 2	
Unit 3	
Unit 4	
Unit 5	
Total	

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10a. New Lettable Areas From Strata Survey Plan



Surveyed m² Areas

Unit	m ²
Unit 1	170
Unit 2	164
Unit 3	230
Unit 4	195
Unit 5	243
Total	1002

Sold as 952m² = Extra 50m²!!!!

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10b. Activity - Potential Value Add From Strata Tiling

- 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/m²
- Valuer Adopted Post Reno: \$1477m² (vs \$845/m² on purchase!!)
- Market Value = Square meter rate x rentable area
- Answer: $\$1477/m^2 \times 1002m^2 = \$1,479,954$ = \$680k increase in val in 17mths!!!

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

Item		Item	
Purchase Price = Bank Val		Bank Revaluation	
Bank Loan @ 80%		New Bank Loan@65%	
Owner Funds (20%)		Existing Bank Loan	
Purchase Costs	\$55,498	Equity Release	
Strategy Costs	\$50,374	Owner Funds to Payback	
Total Owner Funds Contributed		Additional Funds Released	

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

Item		Item	
Purchase Price = Bank Val (A)	\$800,000	Bank Revaluation (G)	\$1,480,000
Bank Loan @ 80% (B=A x0.8)	\$640,000	New Bank Loan@65% (H=Gx0.65)	\$962,000
Owner Funds (20%) (C=Ax0.2)	\$160,000		
Purchase Costs (D)	\$55,498		
Strategy Costs (E)	\$50,374		
Total Owner Funds Contributed (F=C+D+E)	\$265,872	Owner Funds to Payback (I=F)	\$265,872
		Additional Funds Released (I-F)	\$56,128

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

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QUESTIONS?



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