



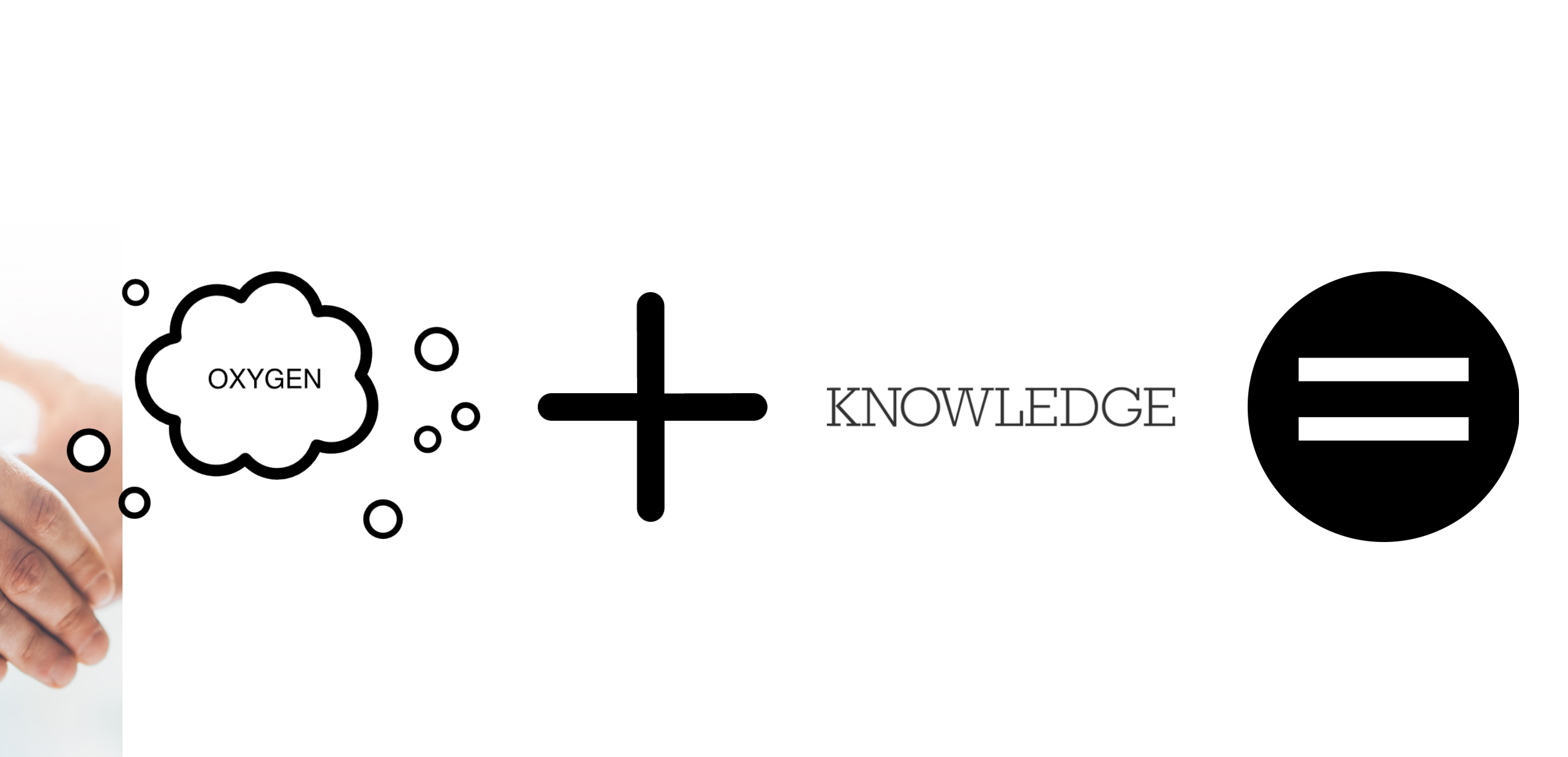
Welcome to the OPM Workshop 2017

OPM Workshop September 2016

8:30 – 9:00	Registration
9:00 – 11.00	Lease and Sub-lease Lease Options Sandwich Options Examples
11.00 – 11:30	Morning Tea
11:30 – 1.00	Joint Ventures Spotters Fees Paper work
1:00 – 1:45	Lunch
1.45 – 3.15	Seller JV's – Resi and Commercial Trade Dollars
3:15 – 3:30	Afternoon Tea
3.30 – 5:00	Case Study and Questions

What is Other People's Money?





Growth



Executive Rentals

- Look for areas that are in high demand
- Check out executive rental agencies – ask them what they want
- Look for a ordinary boring unit in the right location
- Car parks are always helpful
- Works best in Sydney, then Melbourne, then maybe Brisbane and Goldy
- Get intentions to executive lease from agents if possible
- Secure a long lease with ability to sub-lease and possibly improve
- Style property
- Collect the difference
- **RISK – It doesn't rent enough**

Campbell Parade, Bondi Beach \$ 1075 /wk

2 Bedroom + garage



- Features include:
- stunning panoramic beach views
 - ultra-modern open plan gas kitchen with dishwasher and integrated fridge
 - oversized main bedroom with modern ensuite
 - both bedrooms with walk-in wardrobe
 - modern bathroom with bathtub.

Air BnB the apartment

– similar location , not as good a property



From **\$106 AUD**

Per Night

Check In

Check Out

Guests

dd-mm-yyyy

dd-mm-yyyy

1

Just cross the road to the beach!

Bondi Beach, NSW, Australia · ★★★★★ ▾ 22 reviews



\$1450pw Kurraba Road, Neutral Bay NSW
3 Bed

Superbly renovated 3 bedroom waterfront Villa located on the foreshores of Sydney Harbour! Large living areas open to huge full width sundeck/pergola covered terrace enjoying massive Harbour & City skyline views.



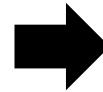


[← BACK TO RESULTS](#)

Waterfront apartment at Neutral Bay \$2,450 per week
Timeless three bedroom waterfront apartment in one of Sydney's hidden gem locations

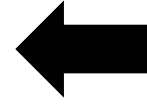
Adding Furniture and Styling

- Sometimes adding furniture and styling a property is sufficient to get an uplift in rental
- Do analysis on vacant rentals verses beautifully furnished rental
- Similar to executive rental but doesn't need to be as up market or selective in area





Professional
Staging

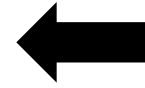


Amateur
Staging





Professional Staging



Amateur Staging



Room by Room Rental

- Can be done as a PPR
 - Little restrictions in most states
- As a pure investment – would need to comply with state rooming house legislation



Carmel

- Needs cash flow and have all her money tied up
- Rents a 6 Br House for \$600/wk on a 2 year lease



Cash Flow
\$28,080

Rented out on a room by room basis furnished for \$1170/wk plus rents the garage for \$80/wk = \$1250/wk

Out goings rent \$600 + Electricity \$100 + internet \$10 = \$710

Also sub-leases a car she doesn't use to one of the tenants!



Loan \$ 382 / month with 18 mth lease still to run

Car worth \$15,000 owe \$15,000 so worth nothing if sold

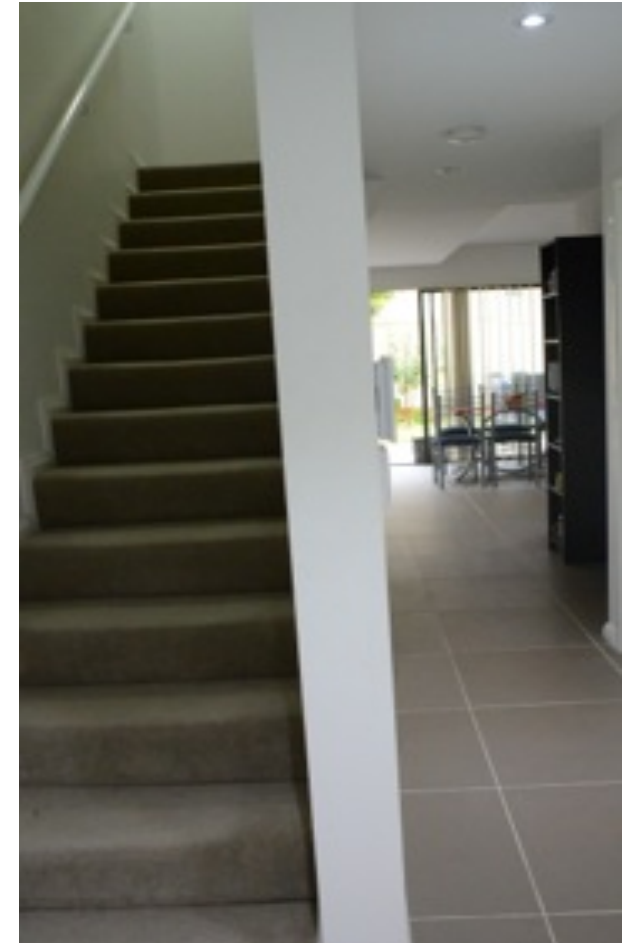
Downloaded rental agreement and took \$360 security deposit to cover insurance excess

\$90 week lease

Turned a liability into a Cash Flow Neutral!

Brand new townhouse in Homebush NSW

- 4 Level townhouse
- 6 bedroom
- 4 bathroom
- 2 Parking



Second Deal

- House specs.
- 6 bedroom single story house
- 2 bathroom with separate toilet.
- 50 meters to Westfield shopping center
- 200m to Train station
- Vacant for over a year
- Agent didn't care just wanted the place rented.



• Start up cost \$7550 (include bond, free gumtree items, new purchase items and travels)

• Out going per week

• Rent per week 1000

• Bills, Internet and Insurance 80

• Daily Goods 20

TOTAL \$1,100

• Incoming per week

• Bedroom 1 (unfurnished) 220

• Bedroom 2 (furnished couple room) 300

• Bedroom 3 (Furnished couple room) 300

• Bedroom 4 (Furnished) 230

• Bedroom 5 (furnished) 210

• Bedroom 6 (Furnished) 200

TOTAL \$1,460

Incoming - Outgoing= \$360 profit per week

**Profit \$360/wk
or
\$17,280 with 48
wks rented**

Vendor Financing

LEGAL HELP DESK



The power of vendor finance

Found a property you want but don't have enough money to finance it?
There might be a way around it with the use of clever contract clauses. **THE BILLIONAIRE**

With all of the legal jargon and the peppering of real estate contracts these days, real estate agents and investors are becoming more open-minded about the use of special conditions in real estate contracts.

When you realize there'll be a shortfall, your first reaction is: "Perhaps I should have a look at a cheaper property" or "I should try to scrape up the extra \$40,000". You decide instead to call your solicitor and ask, "How can I

The History of Vendor Financing

1870s – 1920s

In the land boom years of the 1870s and 1880s which were fuelled by the gold rushes and boom time exports of wool and wheat, property developers subdivided land for sale to meet demand. Some blocks of land were sold to buyers who build homes upon the land; other blocks of land were sold to property speculators who purchased the land for re-sale at a profit.

Then as now, bank finance was not freely available to buyers on vacant blocks of land, because banks were not comfortable with recovering their money if they lent on vacant house blocks of land.

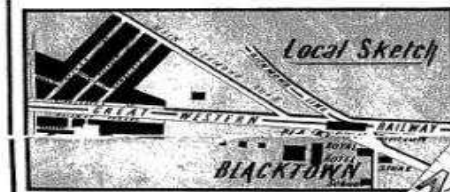
Therefore, in the 1870s and 1880s, to sell their land property developers offered vendor finance terms which were typically $\frac{1}{4}$ of the price as a deposit, $\frac{1}{4}$ of the price after six months, $\frac{1}{4}$ of the price after 12 months and the final $\frac{1}{4}$ of the price after 18 months. Interest was payable at 6% p.a. on the outstanding amounts.

In the early 1890s, many banks collapsed as the weight of property speculation and the great drought took their toll. Variations appeared to the vendor finance model. For example, here is a plan of subdivision at Blacktown, near the railway station, dated 1895.

SKILDA ESTATE BLACKTOWN

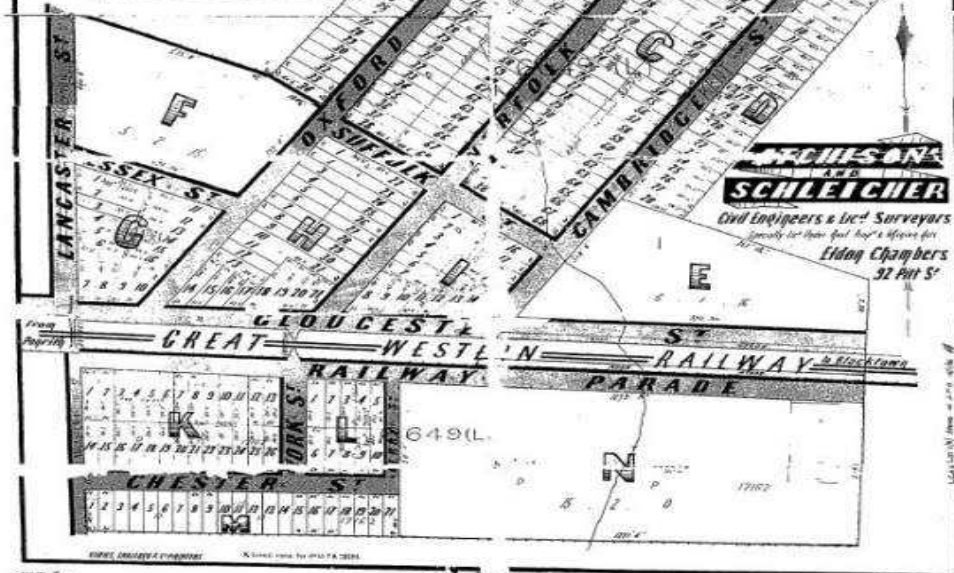
FOR PRIVATE SALE by MILLS & PILE

D.P. 978819 ©



TERMS, \$1 per lot Deposit
Balance in 74 Monthly
payments,
without interest.

Title Perfect



SCHILSON & CO.
SCHLEICHER

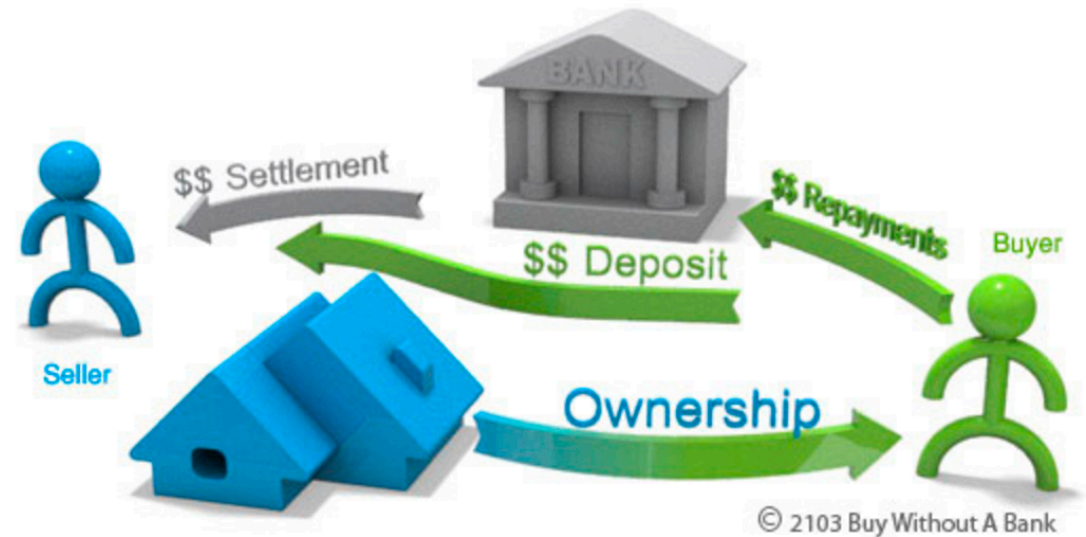
Civil Engineers & Licd Surveyors
Specialty for Plans, Maps, & Specifications
Eldon Chambers
92 Pitt St

337 (L) EP 978819 337 (L) © EP 978819



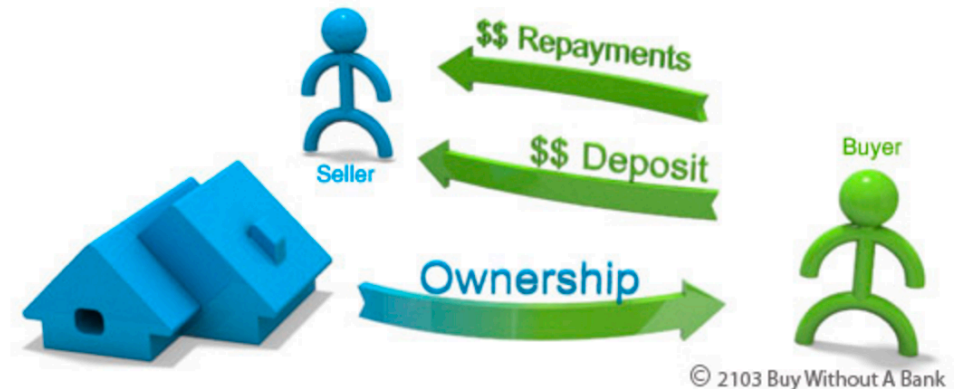
How BANK FINANCE works

Traditionally, a home is bought through finance from a bank, or other lending institution. The buyer pays a deposit (usually 10%-20%) to the seller and the bank pays the rest to the seller. The buyer and sellers relationship ends here and buyer then pays the loan, or mortgage, back to the bank, over time with interest.



How VENDOR FINANCE works

Vendor Finance skips the bank. The buyer pays a small deposit to the seller and also makes repayments directly to the seller over time. Depending on the strategy used in the transaction, these repayments may or may not include interest. The purchase price or repayments may be slightly higher than a traditional purchase, but it provides the buyer with the benefit of purchasing when the bank would not.



A Stepping Stone To Finance

Using vendor finance will set you on the **path to home ownership**, without a mortgage straight away.

The seller might provide finance for the purchase for a period of time, allowing the buyer time to become **eligible to qualify** for a bank loan. This is great because it means the buyer can **start paying off their home** from day one and it gives them time to sort out whatever was preventing them from getting a bank loan.



Reasons why people can't get a bank loan

- they have no established savings history
- they are new Australians
- they don't have a big enough deposit
- they can't prove their income
- they have credit problems
- they may have just gotten divorced
- or there may be a personal circumstance that they have spent their savings on

3 Types of Seller Finance

1. Deposit Finance

- 2nd Mortgage Carry back
- Some Now Some Later

2. Lease Options

- Rent to Buy
- House on Layby
- Try Before you Buy

3. Instalment Sales

- Vendor Finance
- Wraps
- Terms Contracts



Licensing Requirements

Credit Providers License

- Lease Options
 - No Licensing Required
- Instalment Sales and Deposit Finance
 - Need License when “In the Business” of providing Seller Finance

Real Estate Agents License

- License required or Real Estate Agent needs to be involved if you are selling a property you don't own.



Buying Example

Caboolture - Rent-to-Own

Your Home \$519/wk - No Bank
Loans Needed

Deal or No deal?

Property Features:

- 4 bedrooms
- 2 bathrooms
- Open plan living and dining
- 2 car garage
- undercover outdoor entertaining area

Flatmate Room

Rentals \$150 - \$220



KEMPSEY NSW 2440
\$1,170,000

Deal or No deal?

Multi Tenant commercial Investment

Located on the corner of busy Smith and Forth Streets Kempsey, this commercial investment will return the investor a 9.6% return when fully leased. Consisting of 5 secure tenants returning around \$112,000 net. There is also the opportunity of owner occupying or leasing out residue offices! Vendor Finance available! GST may be applicable!



Success WA 6164

Beautiful stylish Home
\$450000

Vendor finance

Deal or No deal?

Vendor finance Available - Beautiful 4 bedroom 2 bathroom 3 toilet double story townhouse in such a great location! This townhouse has so many features, with quality fittings and finishes, and in a lovely quiet neighbourhood. If you are looking for a very modern and stylish townhouse, then I invite you to come and have a look at this one. Don't go through the stress of building - this one is ready now and you could be moving in within the month!



By Expressions Of Interest

Mount Duneed VIC 3216

'City View' - Vendor Finance
Available

Deal or No deal?

Outstanding land bank investment Armstrong Creek - Surf Coast - Geelong 9 Acres (3.64 Ha) of prime positioned land. Currently Zoned Urban Growth Zone, property is within Armstrong's Creek Western Industrial Precinct with future use as employment land. Town water connected. 'City View' 2 minutes proposed Grovedale Railway Station, 10 minutes Torquay/Surf Coast, 10 minutes Geelong, 25 minutes Avalon Airport,



Epping NSW 2121

SPECIAL VENDOR FINANCE OFFER
- 5% FIXED FOR 2 YEARS UP TO
90% LEND

Deal or No deal?

Take advantage of Meriton's Special Offers:

- Vendors Finance - a fixed rate of 5% (comparison rate of 5.17%) up to 90% Lend for 2 years, details below.
- Rental Guarantee - Meriton provides a piece of mind for all our property investors by offering a guaranteed tenant upon settlement. EPPING PARK boasts meandering walkways and bridges over creek beds, running through a luxury parkland community. Facilities include tennis courts, swimming pools, gyms and onsite retail.



\$380,000

Murrays Bridge QLD 4370

Deal or No deal?

LUCERNE FARM - MURRAYS BRIDGE

- * 85 acres Condamine River flat * 33 mega litre irrigation licence available
- * Ideal house sites overlooking the property & views to the mountains *
- Three phase power available * Large frontage to Condamine River * Some vendor finance available

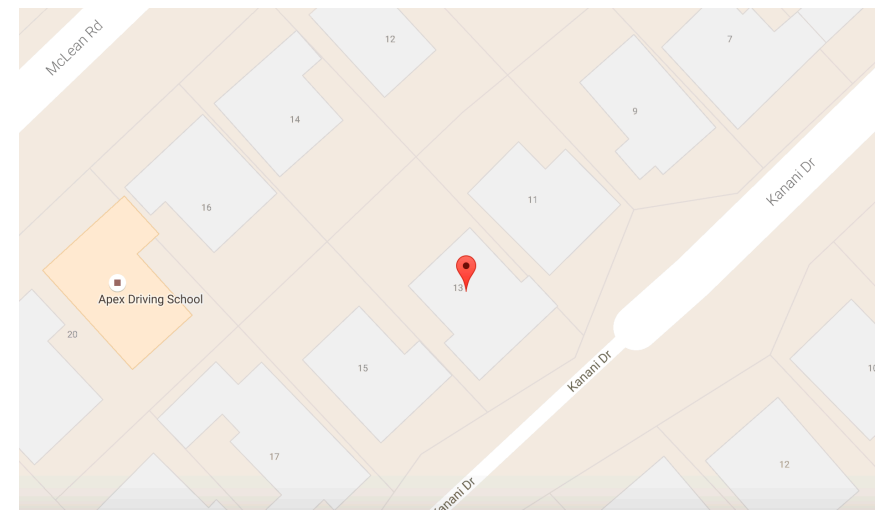


COLLIE WA 6225
\$399,900

Deal or No deal?

FREEHOLD PROPERTY (NOT THE BUSINESS)

Located on Main Street of Collie an opportunity exists to purchase commercial property with two leases in place returning approx' 7% p.a. Property has front and rear laneway access with compact gravel yard to rear. Building divided into two separate lockable portions both approx' 320m². Vendor finance available on application. Freehold property sale only, not the business.



Canning Vale, WA 6155

seller finance option - newly renovated

Family 4 bed, 2 bath home, just updated, with open plan kitchen / family / dining and a second living / theatre. Evap aircon, alarm and great presentation including side drive thru access to a large backyard.

Vendor terms offered up to 5 years at \$630pw plus low upfront, fast easy qualification, terms and conditions on application.

Deal or No deal?



House for Sale small deposit ok 100%Finance VendorFinance
\$415,000.00 Negotiable

QUICK SALE!!! 100 % Finance OWNER PAYS YOUR STAMP DUTY AND VALUATION STACKS UP :-))Vendor finance available If you Don't have Deposit sms me i can help or need help with the broker I CAN HELP, just SMS and we can discuss. House located 15min Inner north of Brisabne CBD and 10 min from the airport also, Excellent home surrounded by quality homes that make Brighton a desirable place to live, \$6,000.00 deposit RELEASE(I WILL PAY YOUR STAMP DUTY) will buy this house call me on 0 and or send me s

House | 3 Bedrooms | 1 Bathroom

Brisbane North East
Brighton

20/07/2016

Selling on a Lease Option

- Purchase: \$220,000
- Reno: \$23,000
- Reval: \$240,000
- Rent: \$295/week
- Mistakes:
 - bought in high crime street;
 - did not check with rental agents before purchase;
 - Underestimated regional labour cost;
 - Used new homes next street (\$350k+) as comparables which are not comparables in valuer's eye.

Dubbo NSW



Over-Capitalised Reno for a Low End Property



Correcting Mistakes Using a “Rent to Buy” Plan

- Sent no-ground 90-day termination notice to existing tenant;
- Listed the property for sale with “rent to buy” and vendor finance available;
- Screened 10+ enquiries
- Accepted a family of 2 adults, 3 children, 4 dogs and 2 cats, with good income from a government job, but no savings. Applicants had black mark on credit file and rental ledger due to a car accident and lost of income for a period in the past.

Agreed “Rent to Buy” Plan

Phase	Rights and Responsibilities	Conditions to Progress to Next Phase
1	Tenants pay \$1,000 refundable deposit to enter into the Plan. Tenants rent the property for \$400/week on standard residential agreement. The \$1,000 will be forfeited and the Plan cancelled if the tenants are ever behind rent. Owner must not sell the property to anyone else during tenancy.	Whenever the tenants have saved up \$10,000 (including original \$1,000 deposit)
2	Tenants pay \$10,000 non-refundable deposit to enter into an option to purchase agreement. Price will be based on future valuation and growth rate. Owner must not sell the property to anyone else during option period.	When the tenants get a bank loan within the option period
3	Tenants pay out balance of the purchase price agreed in Phase 2 with a bank loan. Owner transfers the title to the tenants (purchasers).	-

Results

- Rent increased from \$295/week to \$400/week (significantly above market rental)
- Added security on rental income with the \$1,000 deposit for the “Plan”
- Highly likely to have a buyer in a few years time to realise capital growth

Now let's do a Sandwich Lease



Option Agreement



**Standard Residential
Lease**



Option Agreement

Sandwich Lease Example

Buy \$340,000

- Found on Gumtree
- 3 Bedroom House – selling at a discount
- Antonio's equity \$15,000 (Cash bit)
- Antonio's loan \$325,000 (Debt bit)



Weekly Costs

Mortgage \$300/week

Outgoings \$50/week

Total \$350/week

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PAID



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PAID



Weekly Costs

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Total \$350/week

PAID

Sell \$375,000

- 3 Bedroom House
- Upfront cash \$15,000
- Weekly payment of \$500 (includes \$100/week principle payment)



Sale

Sell for \$375,000

Option Fee \$15,000

Balance Owing \$360,000

Sell \$375,000

- Margaret pays Tim \$15,000
- Margaret currently owes \$360,000
 - Margaret pays \$500/week (\$100/week as Principle)
- \$100/week pays off house \approx \$15,000 over 3 years
- Balance owing at 3 years \approx \$345,000



Weekly Income

Rent \$400/week

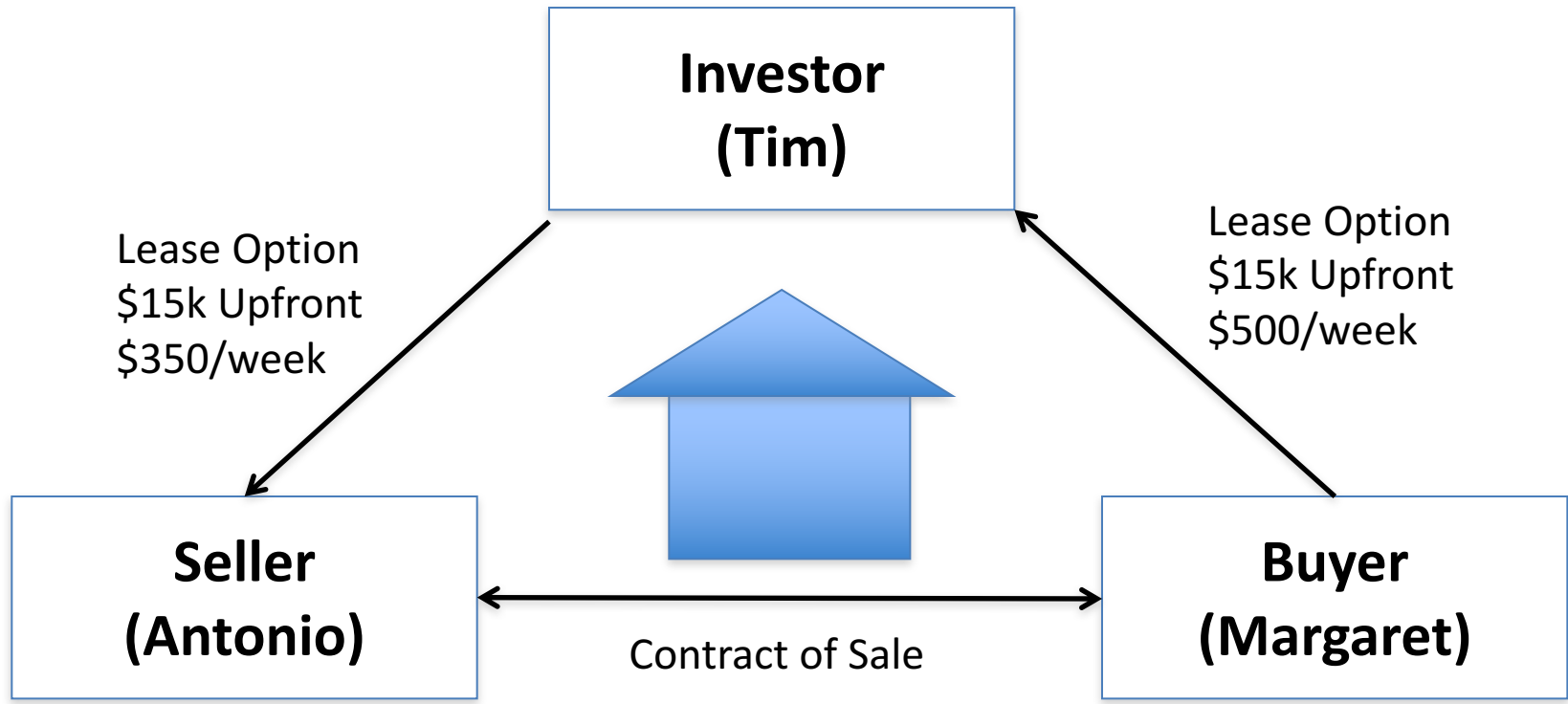
Principle \$100/week

Total \$500/week

3 years later...

	Margaret	Antonio	Tim's Profit
Upfront	\$15,000	\$15,000	\$0
Cash flow	\$500/wk	\$350/wk	\$150/wk (\$23,000)
Back end	\$345,000	\$325,000	\$20,000
		TOTAL:	\$43,000





Summary

- Money Invested \$0
- Number of Bank Loan \$0

How many of these can you do?



Extended Settlements/Manufactured Growth

