

What is a joint venture?



A JV is when two or more parties come together to achieve a common objective.



Types of Joint Ventures

- 1) **JV with Seller/Owner** – property on the market
 - A) Reno
 - B) Development / Commercial

**Property remains owned by seller hence no transfer costs
Beneficial if owner has no/low debt on property & the equity can be used to
fund deal – hence no/low money down deal.*

Types of Joint Ventures

2) **JV with Owner** – property off-market

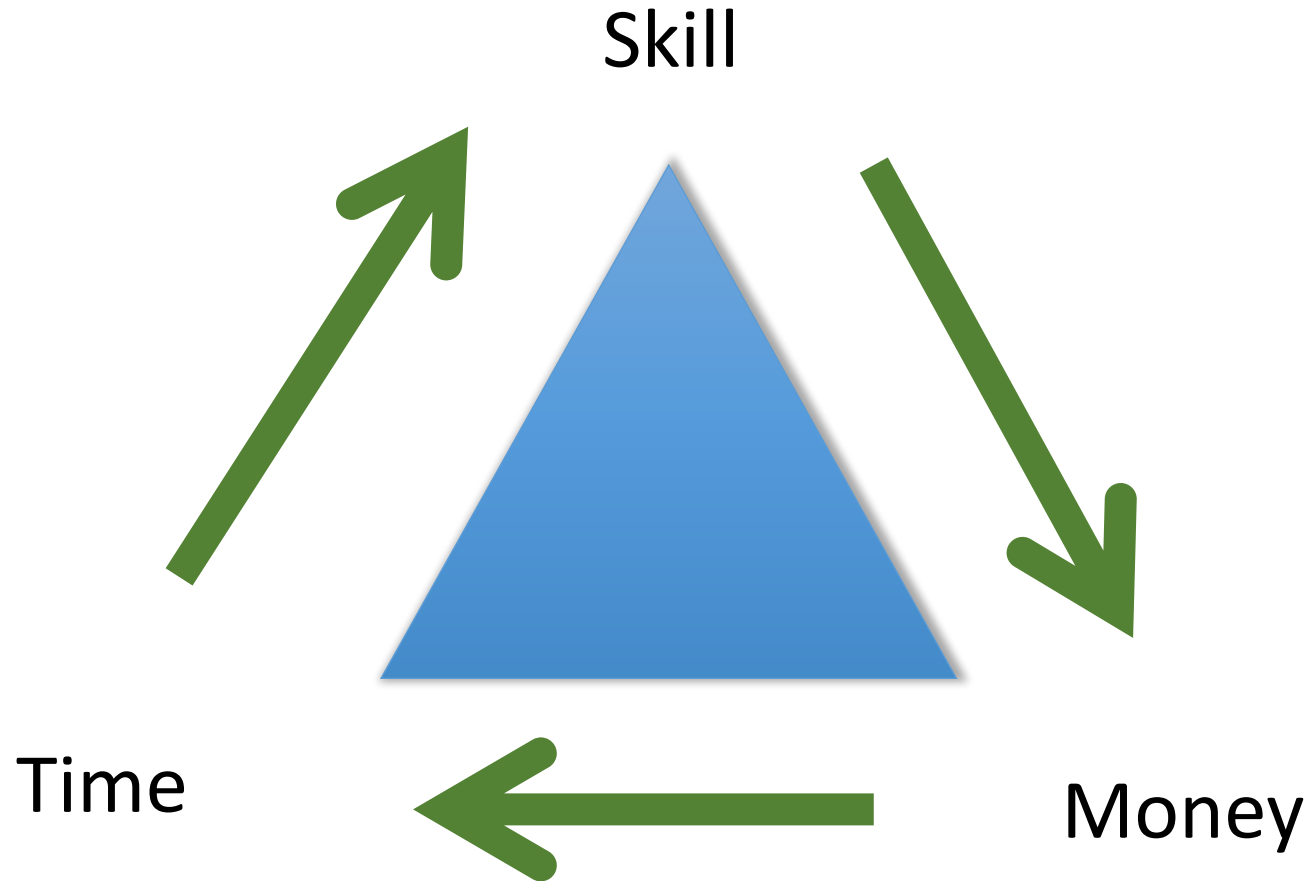
A) Reno

B) Development / Commercial

3) **JV with Investor/money partner**

4) **JV with professional / specialist**

What are the **three pillars**?



What reasons would someone do a joint venture?



What reasons would someone do a joint venture?

- Some people have equity & serviceability but no time
- Some people equity & serviceability but no knowledge
- Some people have equity but no income
- Some have income but no equity
- Some people have no income or equity but have knowledge
- Some people can do more by pooling their resources – more deals or larger deals

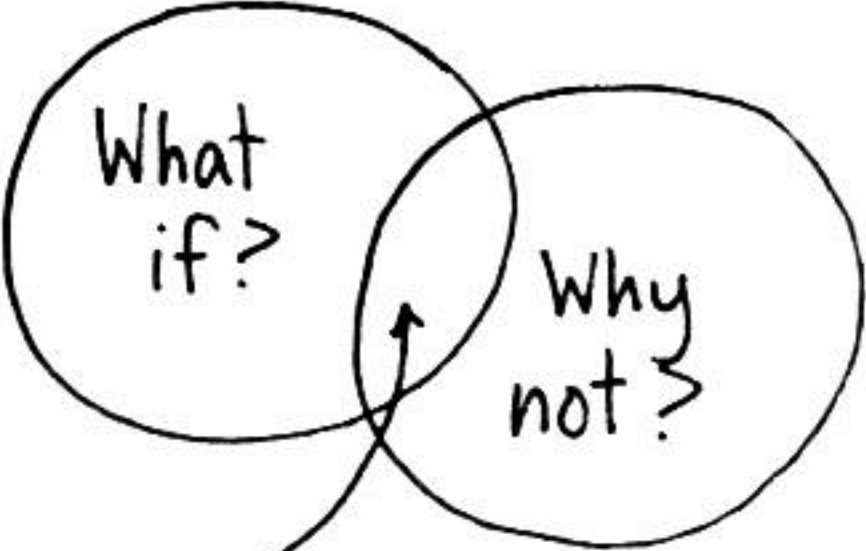
Joint Venture (JV) – A Valuable Tool

“Have to” Vs “Choose to” JV’s

Choose to leverage your resources – time, knowledge, equity, or serviceability



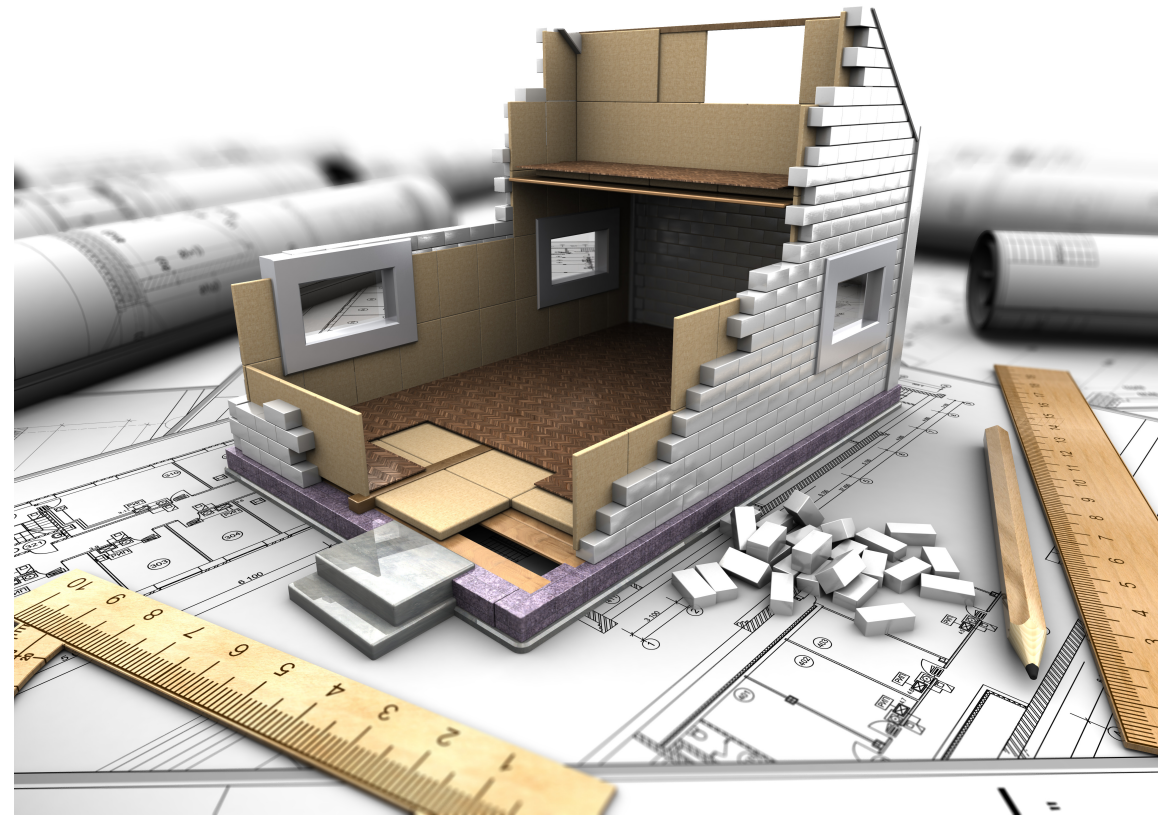
The Question becomes – Why wouldn't you?



Let's go.



What types of strategies work for JV's?



What are the roles in a JV?

1. **Doing** – Working party – Has Time
2. **Experience / Expertise / Knowledge** party
3. **Equity** party
4. **Serviceability** party



What are the roles in a JV?

You As Doing Party –

Responsible for -

Finding deal

Presenting deal

Project managing

Delivering the deal as proposed at beginning

Considerations –

- 1) Security e.g. caveat on purchased property
- 2) Paid during or at end – if paid during, more cash req. upfront
- 3) What if the deal makes a loss – do you have to contribute cash?



What are the roles in a JV?

You As Equity Party –

- 1) JV partner – part of the deal, upside & downside risk exposure, split of profit/loss
- 2) Private money lender – fixed return on your funds - regardless of success of deal, loan agreement (& mortgage) in place

Considerations –

Security provided e.g. caveat

Contribute all funds up front

How funds are returned if can't sell or re-finance



What are the roles in a JV?

You As Serviceability Party –

- 1) Need to be market ready
- 2) Future borrowing capacity may be reduced for duration of deal.

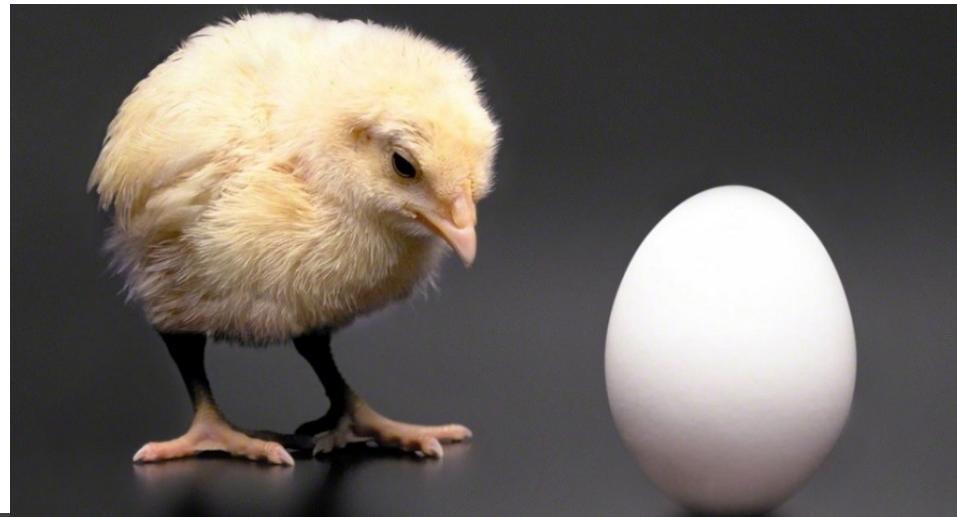
Considerations –

On title & loan so need to lodge tax return, BAS?



The BIG Question...

What comes first? The deal or the JV partner?



The deal or the JV partner?

Pro's and Con's

JV Partner First

- Less stressful when looking & negotiating on deal
- Can have multiple JV's in wings
- Can take time to make decisions
- Match deal to JV partners capacity – equity / serviceability

The deal or the JV partner?

Pro's and Con's

Deal First

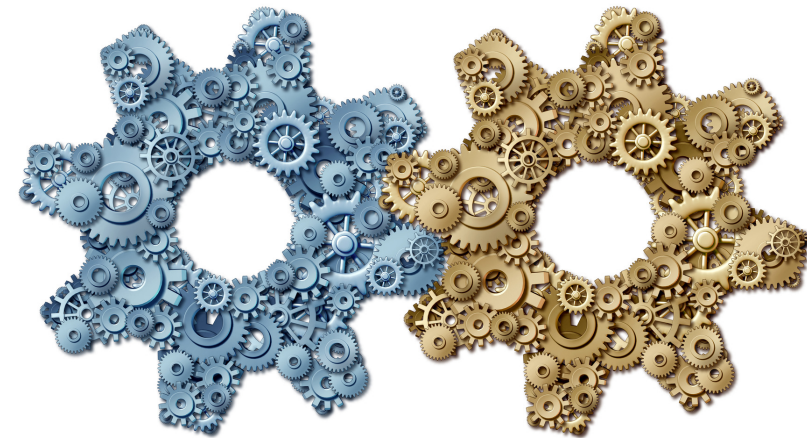
- You have to make assumptions on location, price point & strategy e.g. assume \$450k purchase
- Know what \$ required by JV
- Time restrictions therefore more stressful
- Desperation – can result in poor decisions e.g. poor JV match or process not done thoroughly
- Uncertainty about what entity name on contract to secure deal

The deal or the JV partner?

Pro's and Con's

Overall you need to:

- Spend time cultivating JV relationships at the same time as researching deals.
- Both take time so do it at the same time



How do you find Joint Venture Partners?

Think of your potential partners like customers....
'who do they see before they come to you?'

E.G if your in the business of selling honey moons, you go to a jeweller that sells engagement rings and partner with them



How do you find Joint Venture Partners?

1. Attend networking events where your target market is hanging out
2. Family and friends
3. I Love Real Estate Community
4. Mortgage Brokers
5. Accountants
6. Solicitors
7. Town planners / land surveyors / drafters etc.

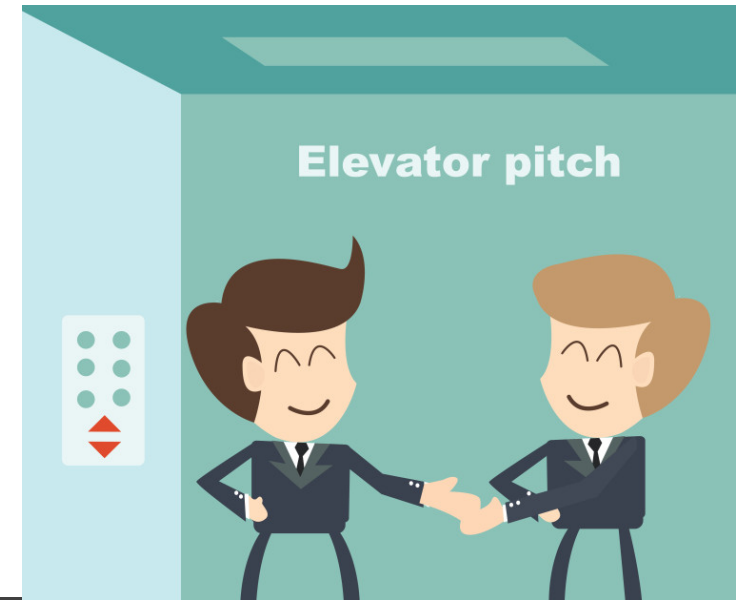


What's Your JV Pitch?

The  **Pitch**

Your Elevator Pitch – What is it?

- A **short and punchy** way to **communicate your value** to another person interested in property investing.
- Pitch should only last for **30 seconds**.
- Can be used at **networking events**, meeting new people or in an elevator!
- Do the **Pre-Work!**



Activity – Role Play Your Pitch

- Decide on your role in the JV e.g. doing, money, serviceability party
- Pair up and take turns to give your 30 second pitch

How to Structure a Pitch -

Step One: Demonstrate Focus

- What is it that you are **seeking**? i.e. money partner, deal finder etc.
- Think about the type of **strategy, location and price point**.
- * **Be clear** on what you are looking for?



For example....

Hi, my name is

I run a property development business that specialises in building affordable accommodation for disadvantaged youth that also attracts high yields for investors.

Or

Hi, my name is

I'm a professional property investor. I specialise in ??????

Step Two: Establish Credibility

- Establish your credibility i.e. **skills, background, experiences in** property or non property related areas.
- Ask yourself, “**what qualities do I possess** that I can implement with property?”



For example....

Over the past four years, I've been able to create a real estate portfolio worth \$11,000,000 while paying to my investors over \$3,000,000 in profits

Or

Over the past 2 years, I've immersed myself into property education and mentoring and am entering into my first deal.

Or

I've spent the last ten years as a mechanical engineer & decided that my skills would transfer terrifically into property development.

Step Three: Pick a Side

- Are you the “Doing” partner, or the “Money” partner?
- Do you have time / equity / knowledge / serviceability ?
- * Establish this early in the conversation.

← PICK + A SIDE →

For example....

I partner with real estate investors who have lazy equity in their home or cash in their accounts and like to achieve much healthier returns than the banks can provide.

Or

I'm looking to invest money into projects that are safe, secure and set for fantastic profits!

Step Four: What Problem Do You Solve?

- What are your potential JV partners **challenged or frustrated** by?
- And – how can you help them?

problem
solving

For example....

What I've noticed is that finding a deal that stacks up, in a great location, is harder than it seems. I've got great relationships with people who bring me deals all the time.

Or

One of the largest frustrations that my JV partners face is that they have no serviceability to purchase a deal, even though they are experienced and knowledgeable investors...

Step Five: Why People Love Working With You?

- What is it about you that people **love**?
- What can you **bring to the table** that other's can't?
- Why do people come back and **continue working with you**?



For example....

People love working with me because I communicate regularly, I've got a stable track record and I make investing fun!

Or

People love working with me because I'm reliable and show integrity in all facets of my business.

Activity – Role Play Structured Pitch

- Pair up (same partner) & take turns to give your 30 second **structured** pitch

polish
your
pitch

The logo consists of the text 'polish your pitch' in a dark blue, sans-serif font. The word 'pitch' is significantly larger than the others. A microphone icon is positioned between the 'i' and 't' of 'pitch', with a series of five small stars arched above it.

PrACTICE
PRACTICE
practice

Build a Mini - Database

1. Build your own asset
2. Begin to make a list of people you can go to with opportunities
3. Nurture your list
4. Stay in regular contact and keep them updated to any changes / market updates etc.
5. Survey your list, find out what they want.



You have them, so now what?

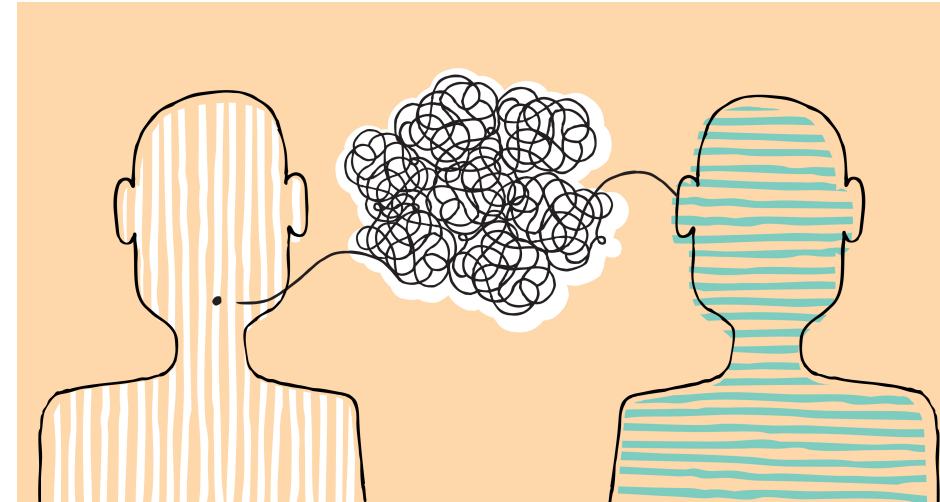
- Qualify your new prospective Joint Venture Partner
- Prepare and interview – treat it like a job interview!
- Assess their level of risk
- Once you have qualified your JV partner against your criteria, get them to see a strategist from ILN.



**Ensure all decision makers are at meeting!*

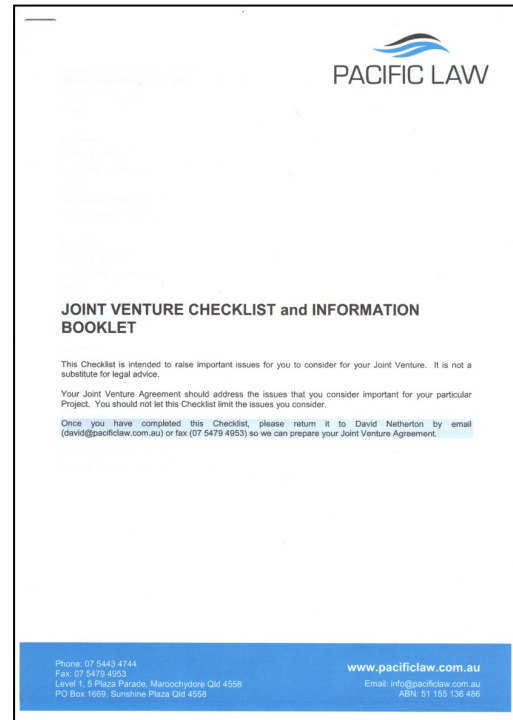
What should you discuss?

- What are all the possible outcomes?
- Who will be responsible for making decisions?
- How often do you review the feasibility?
- What roles does each partner play?
- What type of structure will you create?
- Who will pay the bills?
- Who will set up a bank account?
- How often you intend on communicating
- Dispute resolution

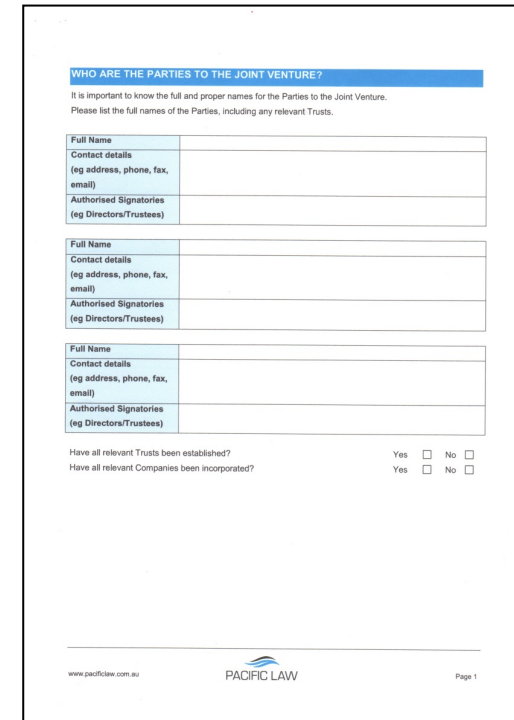


Ironed out all the creases?

Pacific Law Checklist



The image shows the cover of a booklet titled "JOINT VENTURE CHECKLIST and INFORMATION BOOKLET". At the top right is the Pacific Law logo, which consists of a stylized blue wave above the text "PACIFIC LAW". The title is centered in bold. Below the title, there is a short paragraph explaining the purpose of the checklist: "This Checklist is intended to raise important issues for you to consider for your Joint Venture. It is not a substitute for legal advice." and another paragraph stating: "Your Joint Venture Agreement should address the issues that you consider important for your particular Project. You should not let this Checklist limit the issues you consider." A small note at the bottom of the text says: "Once you have completed this Checklist, please return it to David Netherton by email (david@pacificlaw.com.au) or fax (07 5479 4953) so we can prepare your Joint Venture Agreement." At the bottom of the cover, there is a blue bar containing contact information: "Phone: 07 5443 4744", "Fax: 07 5479 4953", "Level 1, 5 Plaza Parade, Maroochydore Qld 4558", "PO Box 1668, Sunshine Plaza Qld 4558", "www.pacificlaw.com.au", "Email: info@pacificlaw.com.au", and "ABN: 61 165 136 486".



The image shows a form titled "WHO ARE THE PARTIES TO THE JOINT VENTURE?". Below the title, it says: "It is important to know the full and proper names for the Parties to the Joint Venture. Please list the full names of the Parties, including any relevant Trusts." There are three identical tables, each with four rows: "Full Name", "Contact details (eg address, phone, fax, email)", "Authorised Signatories (eg Directors/Trustees)", and another "Full Name" row. Below the tables, there are two questions with checkboxes: "Have all relevant Trusts been established? Yes No

Have all relevant Companies been incorporated? Yes No

At the bottom of the form, there is a blue bar with the Pacific Law logo and the text "www.pacificlaw.com.au" on the left and "Page 1" on the right.

Communication is Key

- 1) You must be able to understand each other's expectations
- 2) Communication must be clear and concise
- 3) Be open and honest around challenges, setbacks & obstacles
- 4) Problem solve together



COMMUNICATION
IS KEY

Presenting a deal, how do you do it?

- Professional documentation / proposal
- Word Document / PDF
- Power point slideshow
- Webinar
- Video recording (screen cast)
- Boardroom presentation



What would you include?

Photos

Feasibility

Exit strategies

Project timelines

Area analysis & Planning zones & overlays

Grid Variance analysis

SWOT Analysis

Risk factors and mitigation

Plans or drawings already completed

Artist impressions



Joint venture documentation

- 1) JV Criteria – Who do you want to work with?
- 2) JV Qualifying document – Do they qualify to be your partner?
- 3) JV Proposal document – how do you present your opportunity
- 4) JV Confidentiality Agreement – Cabinet-in-confidence
- 5) JV Agreement – Outlines the expectations of each party
- 6) Project Management Agreement – The working party
- 7) Roles and responsibilities template – who does what

Joint venture documentation

- Must be in writing
- Must be signed by ALL parties
- Preferably formalized by a **lawyer** & **prior to starting the deal!**



1) Set your JV criteria

Money partner -

- The amount of equity/cash that is required
- What income/serviceability do they need to have?
- Character of the borrower

Working partner -

- Your price-point & location
- Experience / background / knowledge
- The strategy(s) being used
- Risk profile of Joint Venture



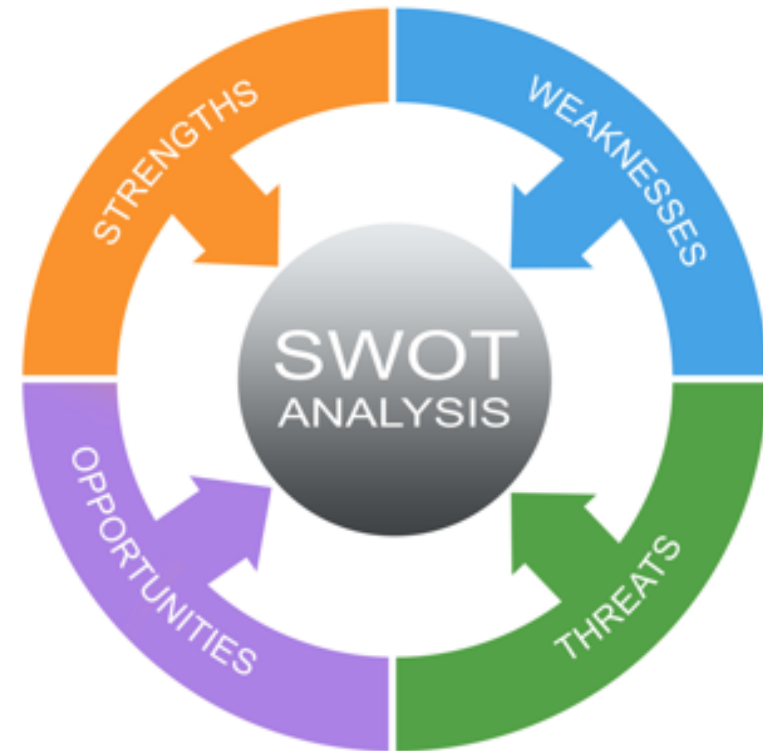
2) JV Qualifying document

- Prospective JV approved through initial criteria
- Complete a detailed questionnaire / fact finding document requesting information
- Have them meet an ILN strategist for a Strategy & Review session

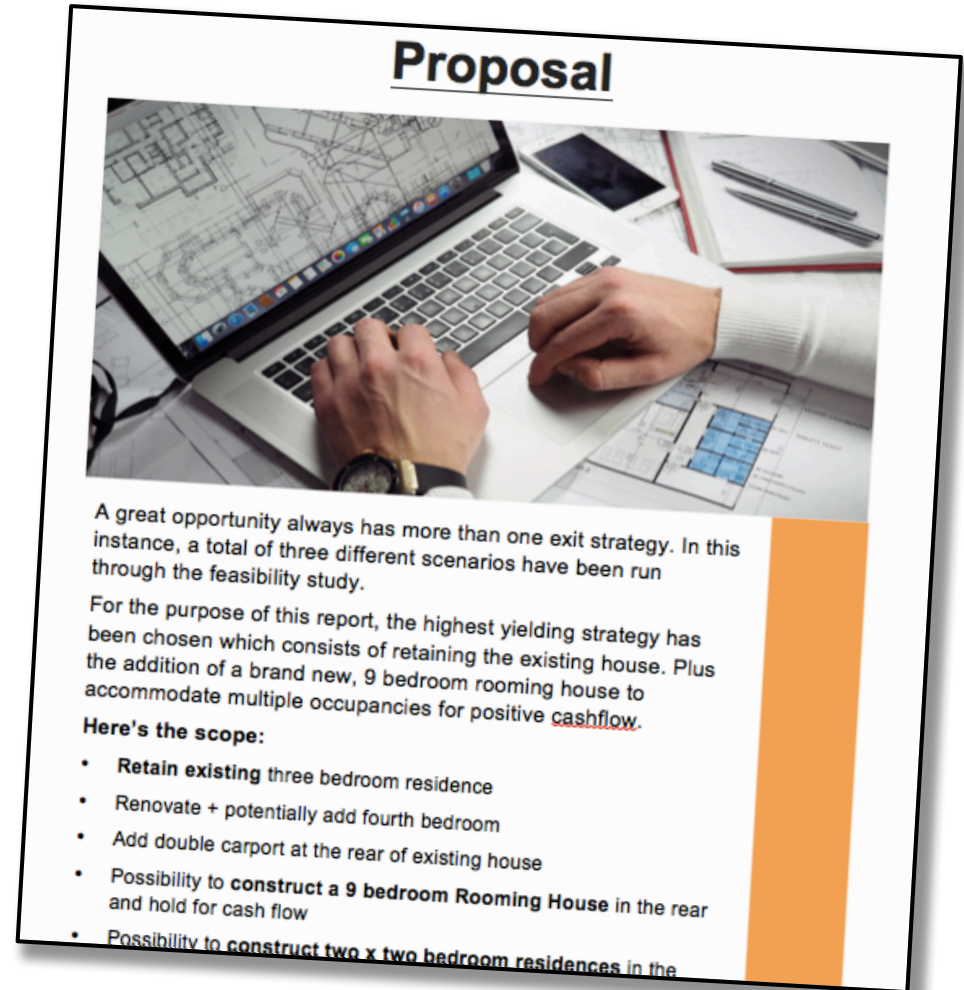


3) JV Proposal document

- Summary
- Proposal
- Stipulate a basic summary of the numbers!
- Suburb profile / Market research
- Summary of the opportunity
- Feasibility / offer different scenarios
- Capital requirements
- Cash flow
- Flow chart
- S.W.O.T Analysis
- Agent appraisals



3) JV Proposal document



3) JV Proposal document

CREATIVITY AGENCY PROPOSAL

Feasibility Report

Feasibility Study
9 Raymond Road, Seaford
(Renovation to existing walls, near dwelling at rear/hold)

Budget	Sub + Construct 2 x 2bdrm	Sub + Construct 7 Bed Rooming	Sub + Modular 4 bdrm Single
Sale of Renovated 3 Bdrm, 1 Bath 2 Car (as per comparable sales)	\$ 480,000.00	\$ 480,000.00	\$ 480,000.00
Sale of Renovated 2 Bdrm, 1 Bath 1 Car (as per comparable sales)	\$ 420,000.00	\$ -	\$ -
Vacant Land	\$ 420,000.00	\$ -	\$ 600,000.00
Sale of Two Bedroom Townhouse	\$ -	\$ 700,000.00	\$ -
Sale of Four Bedroom High-Spec Family Home	\$ 26,400.00	\$ 7,000.00	\$ 24,860.00
Retain Brand New, 9 Bedroom Rooming House	\$ 5,000.00	\$ 2,300.00	\$ 3,000.00
Less Sales Commission of 2.0%	\$ -	\$ -	\$ -
Less Sales Marketing and Advertising	\$ -	\$ -	\$ -
TOTAL Revenue	\$ 1,288,600.00	\$ 1,170,100.00	\$ 1,102,140.00
Expenses	\$ 460,000.00	\$ 460,000.00	\$ 460,000.00
Land Purchase	\$ 26,220.00	\$ 26,220.00	\$ 26,220.00
Stamp Duty (Calculated at 5.5% of Purchase)	\$ 1,150.00	\$ 1,150.00	\$ 1,150.00
Conveyancing	\$ 500.00	\$ 500.00	\$ 500.00
Disbursements	\$ -	\$ -	\$ -
Lenders Mortgage Insurance	\$ 2,700.00	\$ 2,700.00	\$ 2,700.00
Interest on Loan (80% Purchase at Int Rate of 6% for 6 months)	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Trust/Company structure	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Insurances	\$ 750.00	\$ 750.00	\$ 750.00
Council and Water Rates	\$ -	\$ -	\$ -
Land Tax	\$ 600.00	\$ 600.00	\$ 600.00
Valuations	\$ -	\$ -	\$ -
Preliminary Inspections	\$ -	\$ -	\$ -
Bank Fees	\$ -	\$ -	\$ -
Design and Compliance	\$ 3,300.00	\$ 1,500.00	\$ 3,000.00
Concept design and pre-lodgement	\$ 3,300.00	\$ 1,007.00	\$ 1,007.00
Construction Drawings	\$ 990.00	\$ 990.00	\$ 990.00
Town planning lodgement fee	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Drainage Engineering	\$ 500.00	\$ 500.00	\$ 500.00
Structural/Civil Engineer	\$ 500.00	\$ 500.00	\$ 500.00
Landscape Designer	\$ 500.00	\$ 500.00	\$ 500.00
Geotechnical Engineer	\$ 350.00	\$ 350.00	\$ 350.00
Energy Ratings	\$ -	\$ -	\$ -
Building Surveyor/Building Permit (New Dwelling)	\$ -	\$ -	\$ -
Building Surveyor/Building Permit (Extension)	\$ -	\$ -	\$ -

CREATIVITY AGENCY PROPOSAL

Capital Requirements

CAPITAL REQUIRED - TIME LINE

Month	Description	Amount
April '16	Contract Dep	\$26,300.00
May '16	Design	\$6,500.00
June '16	Town Planning	\$1,007.00
July '16	Settlement	\$97,870.00
August '16		\$1,125.00
September '16		\$ -
October '16	2nd Stage Design	\$7,220.00

3) JV Proposal document



Comparable Sales Data

Comparable Houses Recently Sold

Address	Price	Area Size	Sold Date	Sale Result	Listed	Selling Agent
203 Canterbury Rd, Blackburn	\$1,850,000	1853 sqm	5-Jul-16	Sold - Private Treaty	16-Feb-16	Justin James
2 Boulton Rd, Blackburn	\$1,540,000	1051 sqm	5-Mar-16	Sold - Private Treaty	10-Feb-16	Fletchers Blackburn
8 Boulton Rd, Blackburn	\$1,695,000	1273 sqm	27-Feb-16	Sold - Auction	27-Feb-16	Jellis Craig Blackburn
17 Hailey St, Blackburn	\$1,505,000	812 sqm	7-May-16	Sold - Auction	05-Apr-16	Woodards Blackburn
13 The Ridge, Blackburn	\$1,231,000	636 sqm	12-Sep-15	Sold - Auction		

3) JV Proposal document

Testimonials



BRAD SMITH
2 X ENTREPRENEUR OF THE YEAR

The result of doing a property deal and investing with Mick was ultimately profitability, and most of all in a partnership that did not require me to invest any labor.

The obstacle that would have prevented me from investing is congruency. **I would never invest with someone I didn't trust, nor someone I didn't feel had my best interests at heart all the time.** Mick's results were directly tied to my results and after looking at preview projects and calling people who had worked and invested with Mick in the past, I felt confident to go ahead.

The thing I liked most about Mick is understanding: we had some standard and short time delays thanks to council and Financing and **I think you can judge a partner by their character when things don't go perfectly to plan.** Every time Mick would call me with a problem he had a solution. I knew he had it covered and Mick would be straight up, honest, clear and on time with all communication.

People like Mick are few and far between. **when you find someone like this you make sure they are a part of your future**

CONGRUENCY

coming leader in the greater Melbourne market.

One lucky person will get to experience the **high growth** and the lucrative upside, sharing in the profits together.

You simply won't want to miss this.



Michael Tiemens

Founder & Managing Director



3) JV Proposal document

Present a sample document -

- Use a deal that you recently missed out on
- Present a case study/deal that has been done in your target location
- Have it professionally edited/designed
- Collect sample docs from builders/developers/investors for ideas

**Tip: keep it simple and easy to read*

4) JV Confidentiality Agreement (non disclosure agreement)

A confidentiality agreement is a legal contract between at least two parties that outlines the confidential Material, knowledge, or information that the parties wish To share with one another for certain purposes.

CONFIDENTIAL

JV documentation cont'd

5) Joint venture agreement

6) Project management agreement

7) Roles and responsibilities template

- Professionally drafted and finalised by a solicitor
- Include all possibilities
- Document the expectations of each party

Negotiating a fair profit split

Base on contribution e.g. –

25% = Doing – Working party – Has Time

25% = Experience / Expertise / Knowledge party

25% = Equity party

25% = Serviceability party

Easy to 50 / 50 split when -

1 party = experience + time + skill

1 party = equity + serviceability part

50 / 50

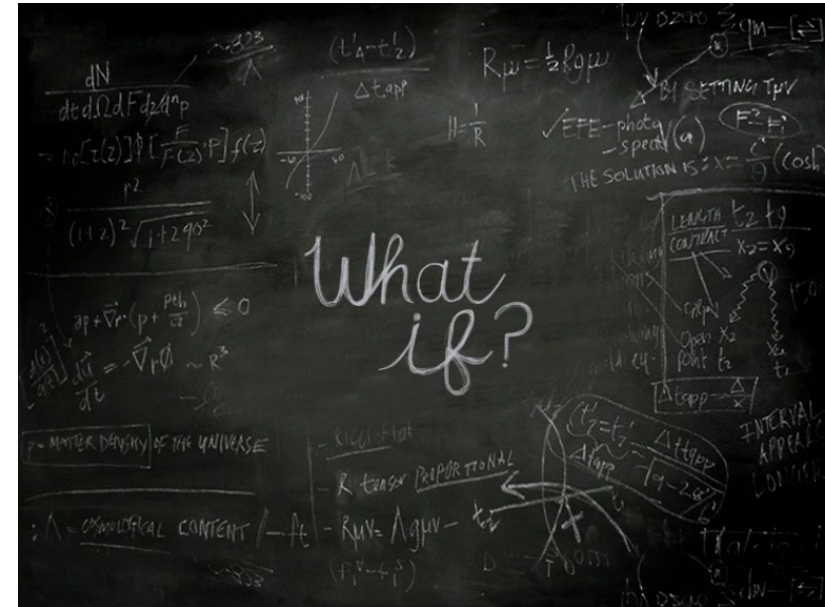
Should You Sell or Hold?

- Hold property on completion - have to refinance & payout working party (tax implications)
- Both parties hold some and sell some – may choose to sell ½ to each other to end up with standalone loans secured 100% by your own property.
- Quick way to build portfolio and create positive cash flow
- GST payable on sale if < 5yrs



Some of the 'What-if' Questions you should be asking -

- What if we make a loss?
- What if we run out of money?
- What if someone dies / gets divorced etc.?
- What if the doing party can no longer do?
- What if someone gets sued or goes bankrupt?
- What if it takes longer than expected?
- What if it doesn't sell?



Joint Venture with a Professional

What professionals could you be partnering with -

- Builder
- Project manager
- Project marketer
- Architect
- Engineers
- Town planner
- Or you if you are the professional



Joint Venture with a SMSF

Seek proper specialist advice



You have to ask yourself... would you trust your JV partner to sign your cheques?

