

# How do you structure a Joint Venture?



# How do you structure a JV?

- 1) Equal party contributions
- 2) Unequal party contributions
- 3) Money partner and worker

**MUST GET LEGAL & ACCOUNTING  
ADVISE IN ADVANCE**

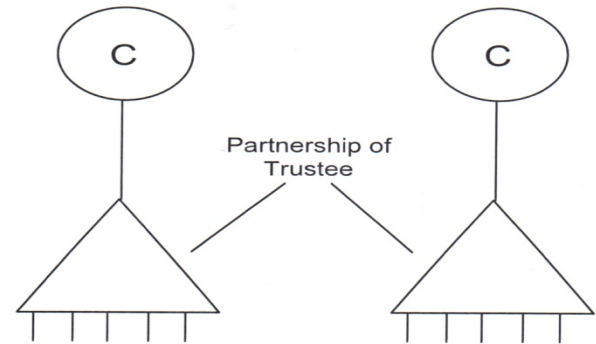


INVESTOR PACIFIC STRUCTURES

# Structuring JV's – 1) Equal Contributions

## A) **Partnership** of 2 Discretionary Trusts

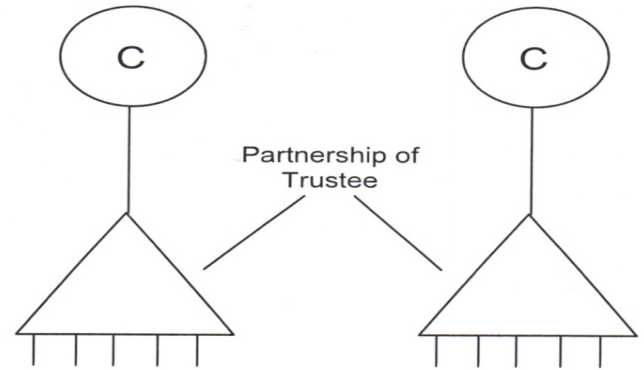
- Each would have a corporate trustee ©
- Property would be owned as **tenants in common** between the trusts.



# Structuring JV's – 1) Equal Contributions

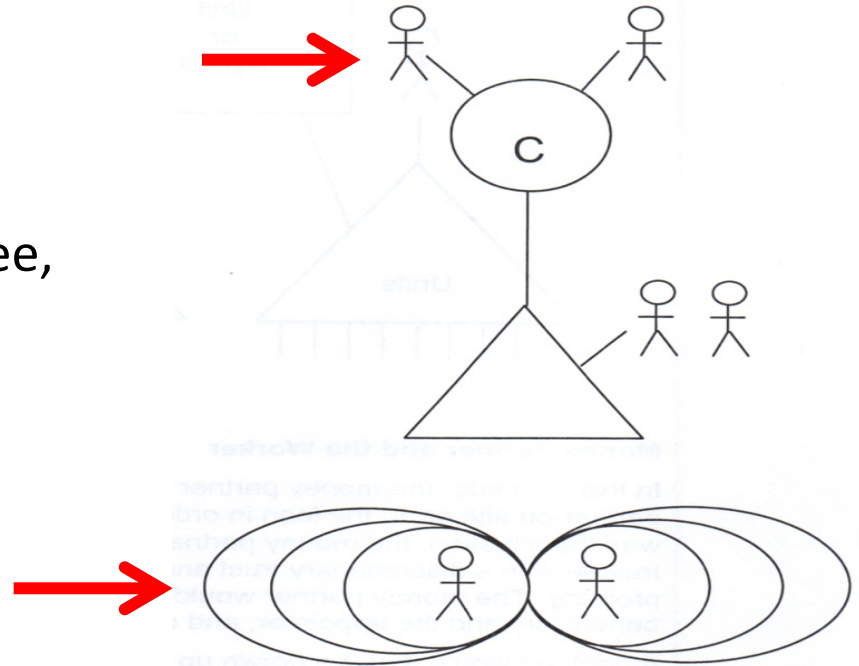
## A) **Partnership** of 2 Discretionary Trusts

- Allows for fractional ownership as well as 50/50 deals as the Tenants in Common ownership can be **split in any percentage**.
- Each party takes on **each others debt**.



# Structuring JV's – 1) Equal Contributions

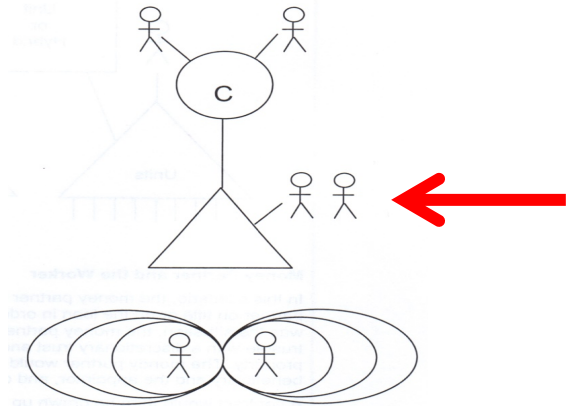
- **B) New Corporate Trustee**
- New Corporate Trustee set-up where **both parties become directors** of the Corporate Trustee, & both named as primary beneficiaries in discretionary trust.



# Structuring JV's – 1) Equal Contributions

## B) New Corporate Trustee

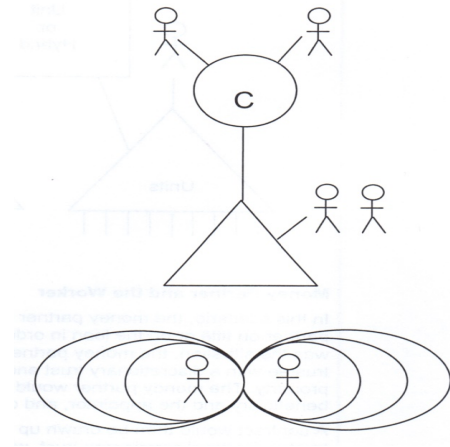
- New Corporate Trustee set-up where **both parties become directors** of the Corporate Trustee, & both named as primary beneficiaries in discretionary trust.
- Important that both parties are also **nominated as appointors** of the Discretionary trust – so that neither one Has more control than the other.



# Structuring JV's – 1) Equal Contributions

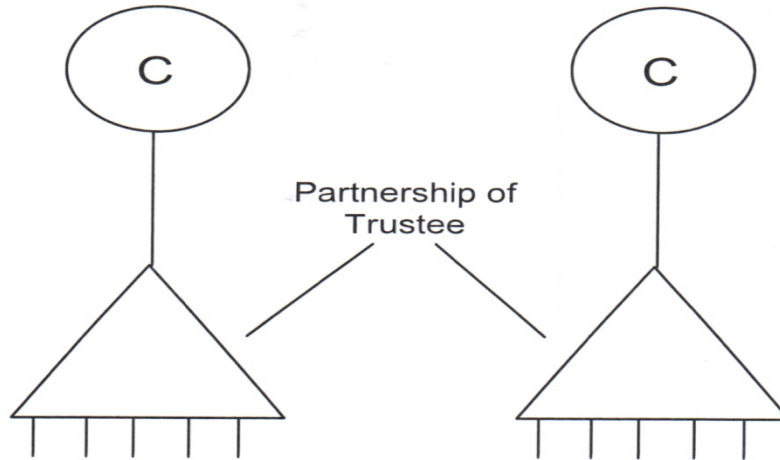
## B) New Corporate Trustee

- Does not allow for fractional or uneven ownership.
- Slightly easier to finance than A)



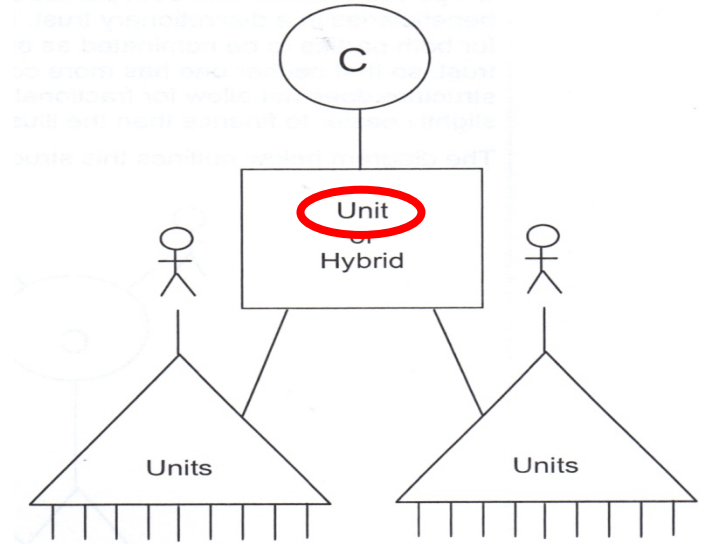
# Structuring JV's – 2) Unequal Party Contribution

- A) Can be done as **tenants in common** using a partnership of two discretionary trusts



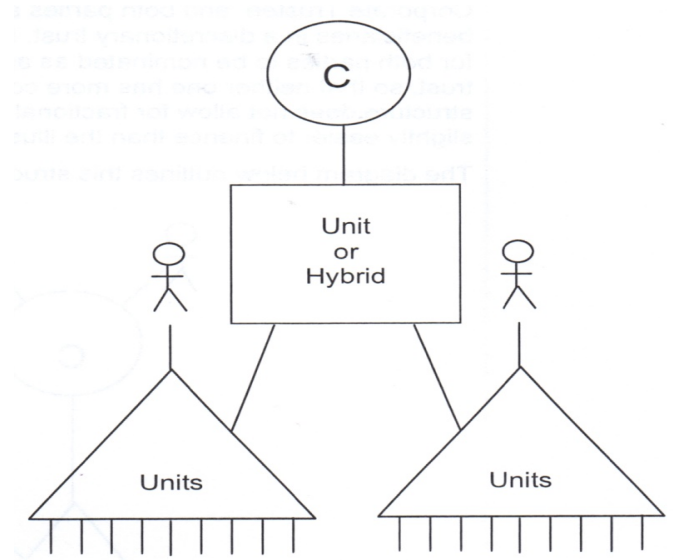
# Structuring JV's – 2) Unequal Party Contribution

B) A **unit trust** can be formed with a corporate trustee, with the units held in a discretionary trust (Piggy Bank Trusts).



# Structuring JV's – 2) Unequal Party Contribution

Can have a few **Capital Gains Tax problems** e.g. treated as fixed trusts and **may not be entitled to the 50% exception** for owning a property for more than 12 months.

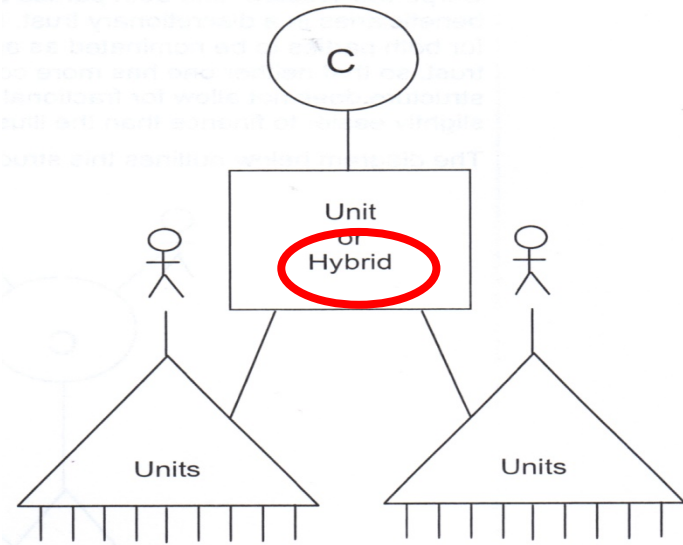


# Structuring JV's – 2) Unequal Party Contribution

C) **Hybrid Trust** - which would eliminate any CGT issues

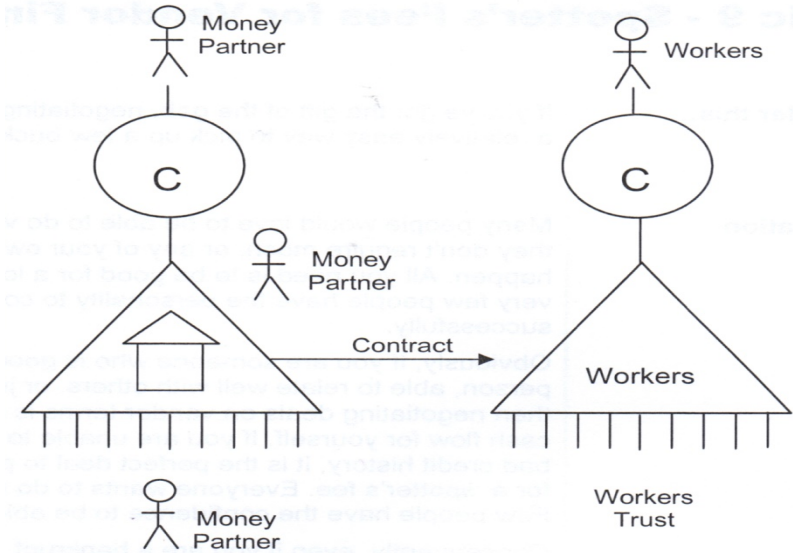
Hybrid trusts can be **difficult to Finance**.

Percentage ownership can be distributed in what ever proportions are agreed upon between the Piggy Bank Trusts.



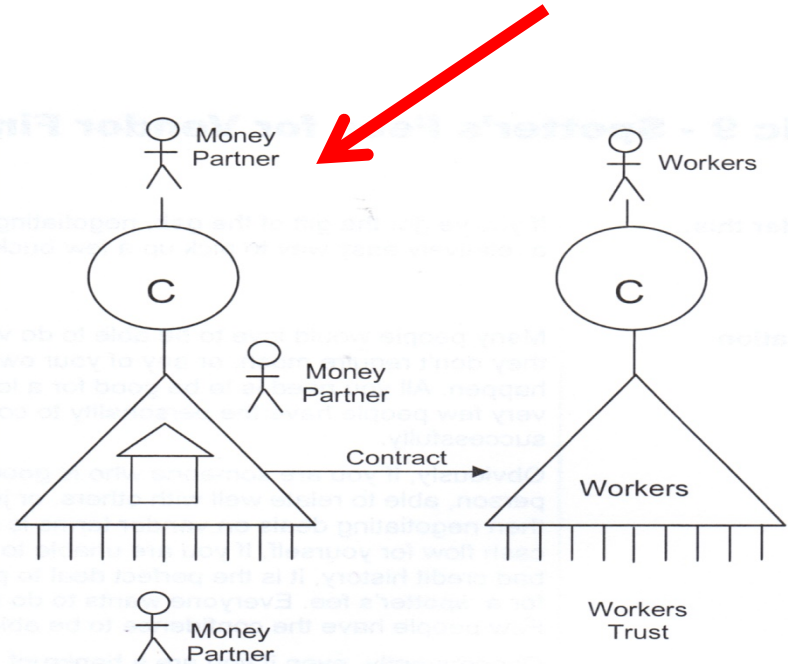
# Structuring JV's – 3) Money Partner & The Worker

**Money partner** does not need the worker partner on title or on the loan in order to buy the property.



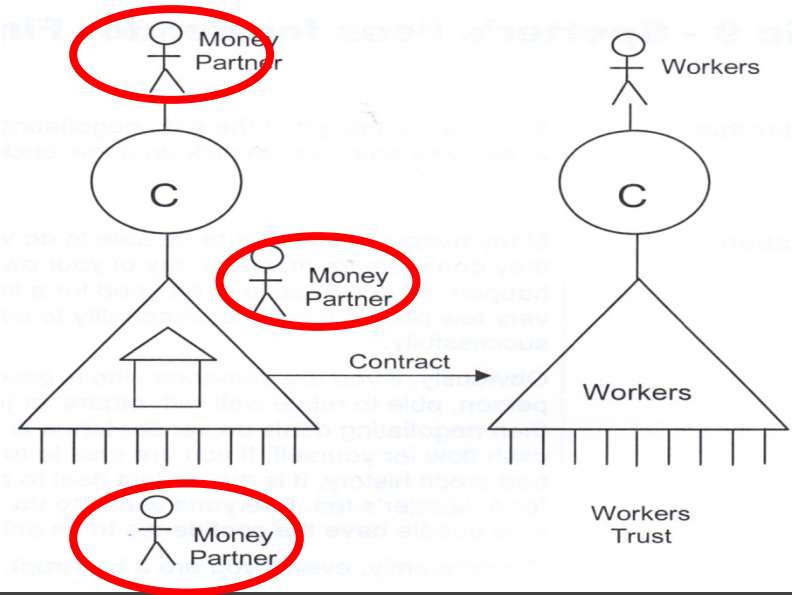
# Structuring JV's – 3) Money Partner & The Worker

Money partner would form a corporate trustee with a discretionary trust & the trust would own the property.



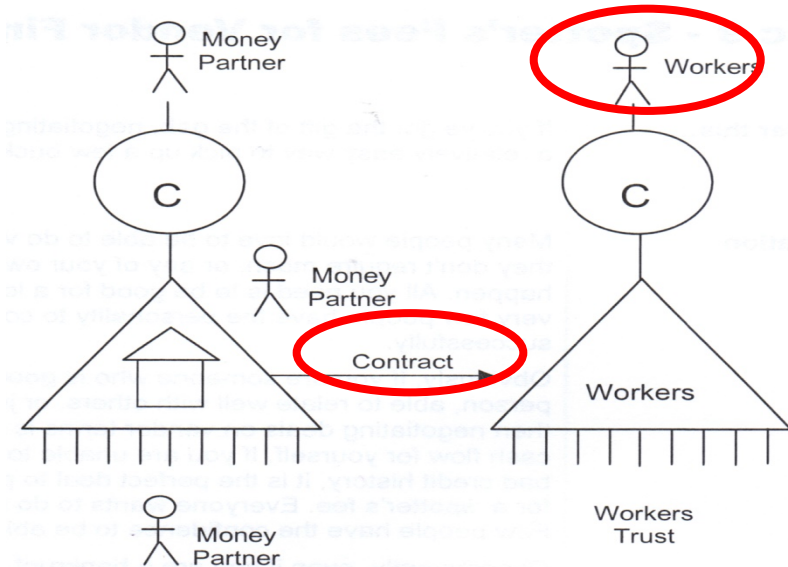
# Structuring JV's – 3) Money Partner & The Worker

Money partner named as primary  
**beneficiary & appointor**, &  
**Director** of corporate trustee.



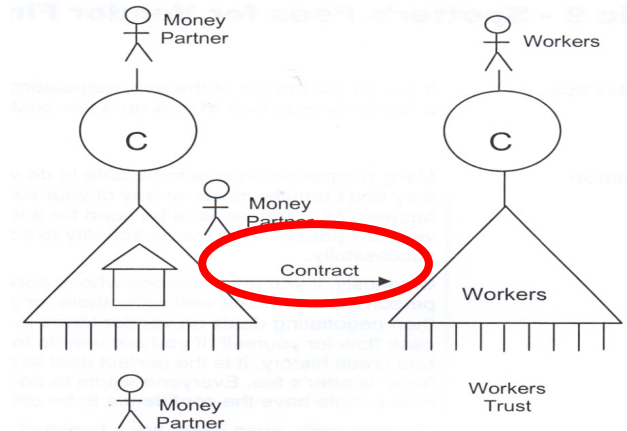
# Structuring JV's – 3) Money Partner & The Worker

A **contract** would be drawn up between the company as trustee for the discretionary trust, with the workers personal Company as trustee Discretionary trust.



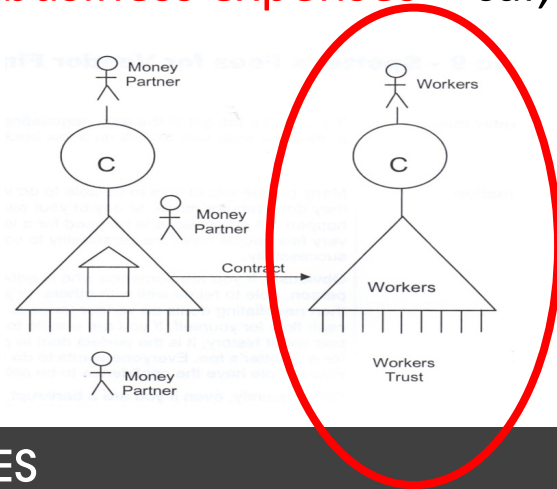
# Structuring JV's – 3) Money Partner & The Worker

- The worker's trust would be protected by **contract** which would outline the **duties & responsibilities** Of each party, & the agreed upon distribution of profits.



# Structuring JV's – Business Structure

- Ultimately want a **Project Management Entity** that runs your property management business e.g. worker in the JV – entity never owns property
- **Paid fees**, not profit split, hence **legitimate income** = serviceability for future lending
- **Claim business expenses** – car, office, phone, travel ..



= Project Management  
(Business) Entity

# Seller JV's

- The number ONE untapped strategy in Australia today!
- Not every deal has seller JV potential



# Vendor or Seller JV Deals

- Using Talents instead of money
  - Landscaping / Handyman
  - Subdivisions
  - Strata
  - Renovation
  - Even building



# What Characteristic to look for in Seller JV Deal

- A seller with a limitations
  - eg - money
  - knowledge
  - time
- A seller with flexibility in outcomes  
(Age can be an advantage)
- A business person as the seller
  - SHOW ME THE MONEY PERSON
- A seller with a badly presented product
- A seller with no clue
- A Sell who can't sell



# The Benefits

- No holding costs
- No deposits
- No Banks
- No limitation on price point
- No limitation on volume
- All you need is your own SMARTS



# Examples of Potential Seller JV Deal

Example  
Landscaper



# Examples of Potential Seller JV Deal

What is the potential if you see a sign like this?

- Make a deal if you see this sign
- Offer to rent with an option to buy
- Find a deal that is in need renovating, or subdividing, or re-zoning, or in a good growth area



# Examples of Potential Seller JV Deal



**Needs TLC!**

Bendigo \$ 260,000 - \$290,000

**\$264,000 (80.0 % of median)  
On the Market for over 12  
months**

Renovate or start from scratch

This property is set on a 694m<sup>2</sup> block and is situated only 2km's from Bendigo's CBD and very close to sporting grounds, schools, pubs and shopping centers. The options are for you to renovate the existing house or to start from scratch and build a new home or 2/3 townhouses.

# Examples of Potential Seller JV Deal

Maybe there is a reason its not selling



# Vacant Commercial



- From 1,800sqm up to 4,741sqm
- Fenced and secure 7,922sqm site
- 3,463sqm sealed hardstand
- Great access via multiple roller doors
- Multiple overhead gantry cranes
- Great exposure to Compton Road
- Tenant relocating, inspect today!



# Old under market rental secured on an option

## Freestanding 2 stories Commercial building

Downstairs: shop plus storage, kitchen and toilet    Upstairs: 5 bedrooms and a bathroom rear access to street    Good Opportunity for own business and investment



Rent total \$800 p/w  
Potential for improvement/  
Reno and increase /  
separate rents  
Sale price likely to be in the  
500's

# Spotters / Finders Fees

- Sourcing deals on behalf of other investors / developers
- Form an ultimate buyers list
- Okay for the first one or two but after that it's likely you would need a Real Estate licence
- Partner with a Real Estate Agent to move on deals
- Use for referrals when selling a property

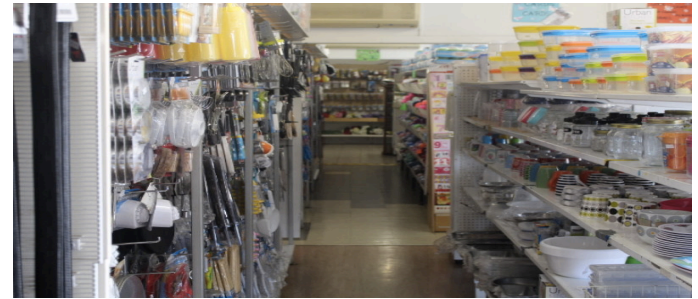


# Spotters / Finders Fees

How does the remuneration work?

- Spotter can charge a fixed fee agreed on at the beginning
- Percentage of the purchase price
- Buyers agent charges between 1% - 3.3% of purchase price
- Ensure the agreement is in writing through a legal practitioner

# Buy Business Real Estate - under market



**\$695,000 Neg.**

Business and stock are included in the price as well as a 4 bedroom home which you can live in or rent for extra income.

The business is carrying over \$100K in stock and \$50K in fixtures. Owners are happy to have a changeover period so you can learn the business from start.

This is a highly profitable business and owners are selling for genuine ill health reasons.

PRICE NEGOTIABLE

1618m2 "double' block Development Potential

Ripe for an upgrade or leave with a tenant until you are ready to subdivide!

This Chamferboard home has 4 bedrooms a main bathroom, combined living and dining plus a separate kitchen.

**Kingaroy liste 15/4/2015**

**\$199,000 (62.2 % of median)**



Kingston \$1,700,000

**LOCATION - LOCATION - LOCATION -  
LOGAN MOTORWAY**

Address: Not supplied

( [View Kingston on Google Maps & Street View](#) )

Type here **LOCATION - LOCATION - LOCATION - One of a kind.** Rare opportunity to buy a huge 5756sqmtrs of hard stand property on two titles. Zoned General Industry Includes 300 sq mtr shed which contains two separate offices and reception area with mezzanine floor over offices. Offices have brick fascade to front road. Male & Female toilets. 3 phase power. 2 high roller doors (can access prime movers).

- Totally secure inside and out.
- Fully fenced with in and out gates.
- Ample parking.
- Central to ALL locations.

Site suitable for developer, owner operator business requiring large hard stand area or investor. (Previously leased for \$130,000pa plus all outgoings). Also has lapsed plans for future buildings.

This is Prime real estate with excellent uninterrupted view from Logan Motorway. Advertising priceless. Central to all locations motorways and freeways. Entry to Logan Motorway 500 mtrs on & off. High and **DRY FLOOD FREE** area. Logan Council welcomes businesses to the area and will assist wherever possible.

Owner now wishes to sell due to **ill health**. Expressions of interest welcomed. All reasonable offers considered. Contact owner today.



( [noagentproperty.com.au](http://noagentproperty.com.au) )

[Get finance for this property >>](#)

**Search Term:  
Ill Health**

MADDINGTON \$375,000 (88.7% of median)

Address: Not supplied  
( [View MADDINGTON on Google Maps & Street View](#) )

The good;

Huge 1150m2 block  
Below ground pool  
Some Renovations completed (including floating floor, doors, paint)  
Airconditioning in bedrooms  
Jarrah floor upstairs  
Quiet street  
Great neighbours  
Really unique house  
80% of boundary fencing brand new colourbond

The Bad;  
House needs work (structurally sound and perfectly livable)  
Asbestos roof

For sale by owner. I work away so please email me to arrange a time to view.

Will consider **swap** for smaller house/unit with cash difference.



( [gumtree.com.au](http://gumtree.com.au) )

[Get finance for this property >>](#)

Search Term:  
Swaps

# Trade Exchanges

Barter Card  
Empire Trade  
Ibis

- Percentages vary and charges vary
- Some have ability to borrow dollars
- Some have ability to borrow on the black market



1300 BARTER  
(1300 227 837)



Kawana Island, QLD

\$1,200,000 / 25% trade /

Vendor finance



# Trade Dollar Example Kawana Island, QLD

\$490,000 / 20% trade



# Bartercard / Commercial Office Space / Sub-Letting





bartercard



# The Numbers

Purchase Price

Purchase Costs (Stamp duty etc.)

Bartercard Costs (6.5%)

Office Fit-Out (\$15k on Barter)

**Total Costs**

**F-**

**Valued at \$600,000  
& \$85k profit!  
& Neutral Cash flow!!**

(\$350,000)

(\$122,475)

(\$42,000)

# Swaps

Don't underestimate the private owners and trading post style deals.

**'Land in xxxx will swap for 4WD'**

**Private Sale / Swap**  
Elliott Heads



# Make a List

- Write down what skills you have that would be an advantage in a seller JV deal
- Write down what type of Seller you could target?
- Prioritize your list
- Write down what characteristics you would look for to find your number one deal
- Write down how you would go about finding this type of deal
- Ask yourself are you prepared to do this type of deal?

# Syndication

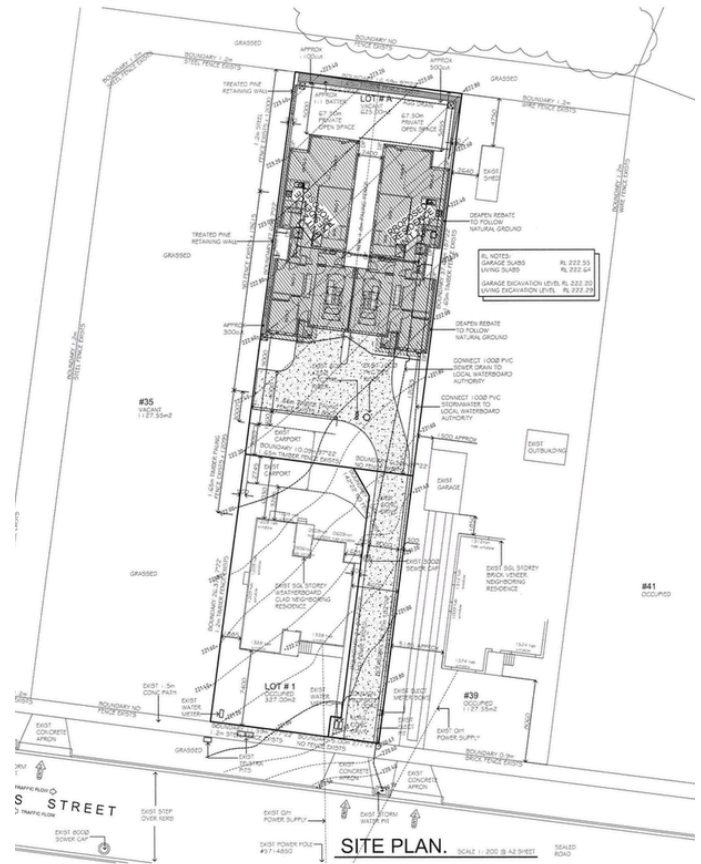


# Syndication

- Use Multiple investors for a single deal
- Good for 3pax, 4pax, 5pax deals plus
- Every syndicate member keeps a property at cost
- Charge a project management fee or profit share arrangement or both

# Dep. Finance / Sub/ Reno / Build





OTHER PEOPLES  
**MONEY**

**I LOVE**  
 REAL ESTATE

# Staged Development

Step 1: Negotiate the deal

Step 2: Design

Step 3: Subdivision + Renovation

Step 4: Sell existing house

Step 5: Construction at rear

Step 6: Sell or hold at completion



# The Numbers

Purchase Price	\$260,000
Purchase Costs (Stamp duty etc.)	\$16,208
Strategy Costs	\$22,250
Renovation	\$23,000
Construction Costs	\$440,000
<b>Total Costs</b>	<b>\$761,458</b>
<b>Total Sales</b>	<b>\$920,000</b>
<i>Less Sales costs</i>	<i>(\$27,600)</i>
<b>Approx Net Profit</b>	<b>\$130,942</b>
Profit on Costs	17.2%

# No Money?



Australia's 9.6 million residential properties are worth 5.9 trillion dollars at the end of the September quarter 2015.

Total Mortgage Values in Australia are \$1.4 trillion dollars.




Source: Core Logic

# What will make the biggest difference?

Shifting you own psychology  
and changing what you  
believe...



A black and white photograph of Henry Ford, an elderly man with white hair, wearing a white shirt and a dark bow tie. He is leaning over the front of a vintage open-top car, appearing to be working on it. Another man in a suit and tie stands to the right, looking towards Ford. The background is slightly blurred, showing trees and an outdoor setting. The quote is overlaid in white text boxes on the image.

**IF YOU THINK YOU CAN DO IT,  
OR YOU THINK YOU CAN'T DO IT,  
YOU ARE RIGHT.**

**- HENRY FORD**