urbantech™
INVESTOR

RE-Search Kit.™

re-innovate
REAL ESTATE INNOVATION

powered by:
re-innovate.com.au

RE-Search Kit.

Make the right investment decisions.

Disclaimer.

The purpose of the RE[Real Estate]-Search Kit™ is to educate clients about how to complete thorough property research and analysis.

The RE-Search Kit™ does not amount to representations or advice either expressly or impliedly with respect to the merits of buying the property, the purchase price of the Property, the quality of the Property, value for money, profitability or future performance of the Property or any other recommendation in relation to the Property or the area in which the Property is situated.

Clients should consult their own professional advisors to obtain independent real estate, legal, accounting, financial or other advice concerning the merits of acquiring the Property.

Urbantech Investor does not represent or warrant the accuracy or completeness of any information provided by any of its directors, employees, consultants or auditors. Save for any statutory liability which cannot be excluded, Urbantech Investor further disclaims all responsibility for any loss or damage which may be incurred by any customer relying on information provided whether that loss or damage is caused by any fault or negligence on the part of Urbantech Investor or any of the directors, employees, consultants, auditors or otherwise.

Guidelines.

The Purpose of the RE-Search Kit™:

1. A guide to assist investors when selecting and purchasing investment properties.
2. Provide investors with structured framework to analyse comparable sales and rents so as to identify the properties that have the potential for the highest capital and rental growth.
3. Provide investors with the ability to gather market knowledge and expertise in order to make informed investment decisions and not fall into any 'traps'.
4. Instil confidence so that investors can rely on their own due diligence and market knowledge to make the most maximised purchasing decisions.
5. Assist investors to quickly identify market opportunities.
6. Ensure investors have considered all the relevant issues before making purchasing decisions.

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Index.

:: powered by Urbantech Group Pty Ltd ACN 102 789 033 ABN 84 994 529 203 | dream . plan . borrow . invest . profit . protect

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Introduction.

What you need to know.

The RE-Search Kit™ consists of eight individual steps designed to capture the most important issues to evaluate when undertaking your property due diligence. Please read the manual more than once to fully understand the implications of all the questions and prompters in each of the steps. Each step contains a series of action steps which include a number of leading questions designed to prompt and empower you to address the due diligence issues raised in that topic.

The 4 Points of Maximised Property Investment.

The professional property investor will seek to obtain the greatest return on their invested funds, and will endeavour to purchase properties that will best satisfy;
The 4 Points of Maximised Property Investment:
1. Maximised capital growth [aim for 5-10% per annum]
2. Maximised rental yield [aim for 5-10% per annum]
3. Minimum vacancy periods [aim for less than 5%]
4. Minimum maintenance expenses/outgoings [aim to maximise tax advantages with gearing & depreciation]

These four points when overlaid onto a property during the due diligence phase of the property selection process assists investors to understand the three main factors that effect real estate markets;

- ⇨ supply & demand
- ⇨ the element of risk
- ⇨ the dynamics of the real estate market

The 8 Steps for the Professional Property Investor.

The RE-Search Kit is divided into the following 8 chapters:

1. Determine your targeted price range based on your financial borrowing capacity.
2. Compare suburbs that you believe will best satisfy The 4 Points of Maximised Property Investment and then select only 1 or 2 suburbs to focus your property research.
3. Select a specific area within your targeted suburb(s) that has proven over time to satisfy The 4 Points of Maximised Property Investment.
4. Select the type, size and style of housing that suits your price range in your targeted area
5. Conduct extensive due diligence on your selected target properties.
6. Undertaking comparable sales analysis.
7. Undertaking comparable rental analysis.
8. Hone in on a target property and commence the negotiation to purchase the property.

At the end of each section of the RE-Search Kit™, review your targeted suburb, area and property according to the 4 Points of Maximised Property Investment.

:: powered by Urbantech Group Pty Ltd ACN 102 789 033 ABN 84 994 529 203 | dream . plan . borrow . invest . profit . protect
p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

RE-Search Kit.

Step 1

Determine your targeted price range based on your financial borrowing capacity.

Finance is the key to any effective investment. Nothing is more frustrating than negotiating on a great property investment deal only to find that you can not get the finance to purchase it. Therefore it is crucial to know your borrowing capacity before you start on your investment journey.

ACTION STEPS
Before selecting an investment property:

1. Download and complete the Urbantech Finance **Maximum Purchasing Power Form** and submit it [fax, email or post] to one of our Loan Technicians at Urbantech Finance.
2. The information you supply will be used to calculate your maximum purchasing power so you can determine a target price range of properties that you can afford.
3. Urbantech Finance's Loan Technicians can also discuss with you the option of arranging Pre-Approved Finance. This is so you can feel 100% at ease knowing you have your finance 'locked in' while you look for your next investment property deal. It also means that you can submit offers on properties that are unconditional [not subject to finance], making them much more attractive to Vendors, and thus increasing your chances of buying at a great price.

Note:
Even if you are not arranging Pre-Approved finance it is essential to prepare the relevant financial documentation as if you were applying for a loan application, as once this documentation has been prepared all it requires is periodic updating. Use the Urbantech Finance **Loan Document Checklist** [available at www.finance.urbantechgroup.com.au or call 08 8451 1500] to assist you in preparing your financial info.

Step 2

Compare suburbs that you believe will best satisfy The 4 Points of Maximised Property Investment and then select only 1 or 2 suburbs to focus your property research.

When undertaking the due diligence process in selecting comparative suburbs, there are many issues to address. Below are 10 points to consider, coupled with action steps designed to prompt further research and deeper market knowledge. Remember these points are meant to be a guide only, and by no means represent an exhaustive list.

1. Generally describe your suburb type.
   - ⇨ Established residential suburb
   - ⇨ Emerging or developing residential suburb
   - ⇨ Mixed use suburb - residential, commercial and industrial usage
   - ⇨ New residential housing estates and land subdivision

2. Determine the location attributes of your target suburbs.
   Distance to:
   - ⇨ the Central Business District and other employment precincts
   - ⇨ public transport: train, tram, light rail, ferry or bus
   - ⇨ recreational facilities: parks, golf courses, rivers, beaches, gyms
   - ⇨ lifestyle streets: cafes, restaurants, bars
   - ⇨ entertainment destinations: clubs, cinemas, arts centres
   - ⇨ child care facilities, primary and secondary schools
   - ⇨ universities and tertiary education facilities
   - ⇨ strip shops, specialty shops and major shopping centres
   - ⇨ major highways and arterial roads

:: powered by Urbantech Group Pty Ltd ACN 102 789 033 ABN 84 994 529 203 | dream . plan . borrow . invest . profit . protect

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

3. Determine the demographic profile of your target suburbs.
    - ⇨ Age [percentage of young people, baby boomers, retirees]
    - ⇨ Marital Status [married, family, single person households]
    - ⇨ Occupation [percentage of professionals, managers and administrators, clerks, tradespeople]
    - ⇨ Education [percentage of workers, tertiary students, secondary students, technical studies]
    - ⇨ Type of Dwellings [percentage of flats, semidetached, separate houses]
    - ⇨ Nature of Occupancy [percentage of rented, fully owned, purchasing]
    - ⇨ Monthly Loan repayments [what is the average monthly loan repayments]
    - ⇨ Population [how many people live in the area]

4. Determine the income profile of your target suburbs.
    Using the above demographic information you can begin to compile an income profile for your target suburb. Classifications may include:
    - ⇨ Young professionals ['dinks'] or baby boomers [empty-nesters] with high disposable income
    - ⇨ White collar middle income
    - ⇨ Blue collar lower income
    - ⇨ Single income families
    - ⇨ Low wage earners [incl. students, unemployed, and pensioners]

ACTION STEPS
Visit the local council and request the Municipality Resident Statistics to gather demographic information of your suburb. There are also a number of online websites that provide suburb demographics information; www.homepriceguide.com.au has a free postcode snapshot, www.propertyvalue.com.au has free postcode profile and www.rpdata.com has a free suburb profile, all of which contain similar demographic information. These reports will often provide projections regarding population growth or decline, age group structure, sex breakdown, household size, individual and household income, etc. Most of the information is compiled from Australian Census data however more comprehensive statistical data can be sourced from the Australian Bureau of Statistics if required.

5. Describe the predominant type and style of housing in your target suburbs.
    - ⇨ Contemporary style, Architectural Design
    - ⇨ Georgian terraces, Victorian terraces
    - ⇨ Single fronted cottages
    - ⇨ Doubled fronted Victorian and Edwardian brick houses
    - ⇨ Federation style housing
    - ⇨ Double and triple fronted brick and weather board housing
    - ⇨ Modern single and two storey family homes
    - ⇨ Modern medium density townhouses and apartment blocks
    - ⇨ Older style apartment blocks
    - ⇨ Cream and brown brick walk up style flat blocks
    - ⇨ High rise apartment blocks

6. Describe the general maintenance and presentation of residential housing in your target suburbs.
    - ⇨ Original condition
    - ⇨ Un-renovated condition
    - ⇨ Average quality
    - ⇨ Poorly presented
    - ⇨ Renovated
    - ⇨ Neatly presented and well maintained
    - ⇨ Modern and contemporary design

ACTION STEPS
Drive around your target suburbs to thoroughly understand the type, style and presentation of housing. Make note of specific 'pockets' within the suburb that you feel demonstrate superior investment potential. You may even wish to take photos of the different style of houses to keep as a record.

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

7. Establish the historical performance of property values in your target suburbs to determine capital growth.

ACTION STEPS
Check with your state Real Estate Institute, Valuer General's office, or visit any number of online property sales databases [eg www.homepriceguide.com.au, www.propertyvalue.com.au, www.rpdata.com], to determine median house & unit prices within your target suburb 2, 5, and 10 years ago and compare them with the current median values. [for free property sales data reports visit our website or call us on 08 8451 1500].
Check also the local council's rates records of 3 specific properties in your suburb to see what each property was valued at 5, 10 and 15 years ago and compare it to your estimate of current market values.
Overall ensure that your target suburb has experienced substantial capital growth over the last 2 to 5 years.

8. Establish whether property values in your target suburb are likely to stabilise, or offer growth opportunity in the short to mid term.
   - ⇨ Determine whether properties in a neighbouring suburb may experience greater capital growth over the short term to mid term than your target suburb which may have already enjoyed substantial growth.
   - ⇨ Assess whether a neighbouring suburb which offers similar amenity, housing type and style is undervalued in comparison to the targeted suburb.

ACTION STEPS
Visit the ‘planning’ department of the local council and determine the extent of future development in your targeted suburb as this could lead to an oversupply of property and increased buyer choice resulting in future price stagnation.
Understand the council planning restrictions within your suburb as they may encourage or restrict substantial future development. Values will stagnate with extensive development while consistent capital growth is likely when there is only a limited supply of new housing stock being constructed.
Ascertain the volume of new and pending town planning approvals to assess the likely impact of future development on the suburb.
Attend auctions in possible 'spill-over' suburbs to determine price levels and market sentiment in comparison to your target suburb. Ascertain the buyer profile in these suburbs, and also establish if these buyers hold a similar profile to occupants in the target suburb.
Assess whether the possible 'spill-over' suburb is poised to exhibit stronger short to mid term capital growth as it offers buyers greater affordability and value for money.

9. Assess the rental market to determine average weekly rentals and rental yield for properties within your target suburbs.

ACTION STEPS
Familiarise yourself with the rental market and determine average weekly rentals for properties within your target suburb by visiting a selection of real estate agents/property managers and by performing online searches at websites such as www.realestate.com.au and www.domain.com.au. Make sure you compare all the different types of properties. For example: New and Second Hand Townhouses/Homes, Renovated and Original Condition Established/Older Style Homes, and New and Second Hand 1, 2 & 3 Bedroom Apartments.
Determine average rental yields for the various types of housing stock in your target suburb. Apart from your online research you should also ask selling agents their estimation of weekly rent for properties they are currently marketing for sale. For example, a $320,000 house that rents for $370 per week [$19,240/yr] has a 6% rental yield [$19,240 divided by $320,000].

10. Determine current vacancy rates in your target suburb.

ACTION STEPS
Visit selected real estate agents/property managers in your target suburb and assess the number of properties available on their rental list. Ask the property manager how many properties on their rental list have been available for lease for greater than 2 weeks, then divide that number of vacant properties by the total number of properties available for lease to determine the vacancy rate.

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Step 3

Select a specific area within your target suburb(s) that has proven over time to satisfy the 4 Points of Maximised Property Investment.

For various reasons some 'pockets' of suburbs perform better than others. Similarly, some streets perform better than other streets within the same suburb. It is important when carrying out your comparative suburb due diligence to note specific pockets of suburbs that you believe will best satisfy the 4 Points of Maximised Property Investment.
For example, you may target a specific pocket bounded by 4 main streets, or a geographical landmark, or an area close to popular amenities. Once selected, your search may not extend past these boundaries.
Below are 3 general points to consider which, along with a few relevant action steps, will prompt further research so you gain deeper market knowledge.

1. Describe the streetscape
   - ⇨ Is the street an attractive residential street, comprising a consistent style of architecture and streetscape, or is the architectural style more diverse and interesting?
   - ⇨ Is the architectural style popular amongst home buyers and does it provide 'scarcity value'? For example, older period style properties are often sought after by home owners and are considered valuable because they can not be easily replaced. Alternatively a mix of more contemporary homes may also attribute to an area's attractiveness and desirability.
   - ⇨ Assess the number of blocks of flats or apartment buildings that occupy the street? Describe their presentation and level of maintenance. Do they add or do they detract from the streetscape?
   - ⇨ Is there any high rise Housing Commission towers in the area which may detract from the appeal of the streetscape?
   - ⇨ If within a new or modern residential housing estate what level of detail do occupants go to in regards to landscaping, garden maintenance and general external presentation? Do owners take pride in their houses?
   - ⇨ Do you consider it to be a desirable place for a family to reside, and does it provide a sense of community?
   - ⇨ Is the subdivision or estate well planned with consistent architectural styles suited to the area?
   - ⇨ Are there references of expensive and high valued property within the estate?
   - ⇨ Other relevant points to consider when appraising a streetscape: width of streets, median strips, established tree line streets, availability of parking, traffic flow and traffic noise.

ACTION STEPS
Thoroughly analyse the streets by walking up and down each side of the street to get a feel for the dynamics of the area. The presentation of the properties will help determine the ratio of owner occupants compared to tenants. Ask yourself whether is likely to attract strong interest from future owner occupiers who may pay a premium to secure a property in a specific 'pocket' or street?
You may also wish to attend a number of auctions to determine the buyer profile and market sentiment of your specific area.

Points to consider when assessing the ratio of owner occupiers to tenants in an area:
- ⇨ Neatly presented property, façade, and paintwork
- ⇨ Well maintained lawn and garden
- ⇨ Fencing in good order
- ⇨ Mail not overflowing in letter boxes
- ⇨ Maintained nature strips
- ⇨ No evidence of litter and rubbish on the property
- ⇨ Number of cars in driveway or surrounding the property
- ⇨ Evidence of Neighbourhood Watch programs

:: powered by Urbantech Group Pty Ltd ACN 102 789 033 ABN 84 994 529 203 | dream . plan . borrow . invest . profit . protect
p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

urbantech INVESTOR

RE-Search Kit.

2. Assess the likelihood of future development

- Is there a heritage protection action group or 'Save Our Suburbs' group proactive in the area to prevent future medium and/or high density development that may detract from the streetscape?
- Is the street fully 'built out' with little or no land available for future redevelopment?
- What is the local resident attitude to future development?
- Determine if there are many rundown original houses suitable for renovation or demolition or redevelopment?
- How many new developments have been built in the street over the last 3 years?
- How many future development sites are in the street? For example, sites of at least 500 square metres with wide street frontage and/or rear access are usually a good indication as to the suitability of future development potential.
- If there are new developments, find out how difficult and how long it took for the developer to obtain council planning approval. This will give you further insight as to the likelihood of further development.
- Have these new developments been well designed and constructed or do they detract from the general aesthetics of the street?
- Will future development in your area have a positive impact on the values of existing surrounding property? For example, a stunning new development may lift prices of all property in the immediate area and attract new people into the area.
- Do building covenants restrict the type and style of housing permitted to be built in the area?
- If within a mixed use area what is the predominant industry that prevails? Does it detract from the desirability to live in the area?

ACTION STEPS

Visit the ‘planning’ department of the local council to determine the exact ‘zoning’ of your target area under the planning scheme and assess their attitude to future development. You may want to even interview local residents within the area to establish whether redevelopment is encouraged or opposed.
Determine if your target area falls under any local council heritage and height control restrictions or if it is subject to building density restrictions.
Ask the planning department about any current development applications within the immediate area which have been submitted for approval, or are pending. If there are development submissions, inspect the development plans and gather the planner's opinion as to the likelihood of it attaining planning approval.
Determine if there is any likelihood of future commercial or industrial development that may adversely impact on your target area. If the area is occupied by a commercial or industrial sector ask the planning department as to the likelihood of the area being rezoned, gentrified and the commercial buildings converted or redeveloped for residential usage. For example, over recent years, there are widespread examples of industrial pockets of the inner suburbs of capital cities being redeveloped for residential use. If this is likely, ascertain from the planning department the likely future development densities and whether extensive development could prevail or more restrictive development is probable.
Make a judgement as to whether there is more sub-divisional land to be 'opened up' within proximity to the subject area. If so determine if the developer is an established and experienced developer who ‘price controls’ the development? For example, does the developer have a development and pricing structure in place whereby they release further land in stages only after all original land has been sold? This allows the developer to increase the price of the next land release, effectively protecting the value of the whole estate.

3. Assess the market sentiment within your target area

Determine the level of real estate activity within your area. Is the market strong with a limited supply of property and a strong buyer demand or is the market weak with a large supply and fewer buyers.

ACTION STEPS

Attend auctions within your area and determine how many 'genuine' buyers are competing for the one property, this will provide a good indication as to the state of the market. Determine if auction prices are generally achieving above reserve price, reserve price or below reserve price, as this will further indicate the strength of the real estate market. Follow the weekly auction results in the property section of the Advertiser newspaper to assess whether properties in your area met reserve prices.
Interview real estate agents in your area to gather their thoughts as to the state of the market and ask the each agent what clearance rates are being achieved in the area.

:: powered by Urbantech Group Pty Ltd ACN 102 789 033 ABN 84 994 529 203 | dream . plan . borrow . invest . profit . protect

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

If targeting new or modern residential housing estates ask the agent how many vacant allotments are for sale within the existing subdivision. Also ask the agent how long they have been for sale.
Determine if there is demonstrated evidence of a rise in land value from the initial offering to the current market value. Determine if there are professional and affluent owner occupiers living in the estate.
Determine the highest price point or sale reference in the estate as it will provide an indication as to what other buyers are prepared to spend in that estate.

The objective of this section, prior to actually targeting any specific property, is to be confident that the area you have pinpointed best satisfies the 4 Points of Maximized Property Investment. This means it is a strong residential locality with a consistent level of buyer demand and is unlikely to undergo any significant redevelopment in the future that may have a negative impact on the capital growth and rental values.
Having satisfied yourself that the area provides good medium to long term capital and rental growth potential you are now in a position to target properties within the area in your price range.

Step 4

Select the type, size and style of housing in your target area that suits your price range.

To best satisfy The 4 Points of Maximised Property Investment it is important to combine all your research in order to determine the property type, size and style that is best suited to the area.
For example, 2 or 3 bedroom townhouses in a lifestyle area may be in greater demand by single people or couples than three bedroom family homes in the same area. While 1 bedroom apartments ranging between 55m2 to 75m2 will always outperform 1 bedroom apartments with less than 55m2. Note the following:

- ⇨ Separate title houses should have 3 bedrooms and be around 160 to 200 square metres
- ⇨ Townhouses should have 3 bedrooms and be around130 to 150 square metres
- ⇨ New 1 bedroom apartments should be approx. 55 to 60 square metres
- ⇨ Established older style 1 bedroom apartments should be approx. 60 to 75 square metres
- ⇨ New 2 and 3 bedroom apartments should be approx. 85 to 110 square metres
- ⇨ Established older style 2 and 3 bedroom apartments should be approx. 95 to 130 square metres

[Remember don't always rely on the agent's estimate of area. Building areas should be measured from external wall to external wall excluding balconies, garages and garden areas.]

If targeting new outer areas determine what size and style of house is predominantly being constructed, for example, if the predominant housing style is single level brick veneer family homes or larger two storey contemporary homes, it is important to select an investment property that will best suit what is popular for this market.
Whether targeting inner or outer areas, only select properties that have strong owner-occupier appeal.
When it comes to re-selling these buyers will often pay a premium for good quality property.
This level of research and analysis will assist you to accurately target properties in your area that will best satisfy the 4 Points of Maximised Property Investment and help you quickly identify which properties are the most in demand for the area.

ACTION STEPS
Visit local real estate agents to establish what type, size and style of property is most in demand in your target area, and conversely which properties are least desired. For example, select flats, apartments and townhouses in lifestyle areas where the demand is from younger, more affluent tenants with growing incomes and 'empty nesters' who require high quality, low maintenance properties with small gardens.
Establish weekly rental values for the various types of properties that you have targeted and then analyse the weekly rentals based on a rate per bedroom. This analysis will indicate the extra rent that is achievable with each additional bedroom. Understand the law of diminishing returns applied to the rental market in your area. You may find that additional bedrooms don't always maximise your rental return. For example, 2 bedroom apartments may rent for $250 per week whereas 3 bedroom apartments of similar type and style may only rent for $300 per week.

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Step 5

Conduct extensive due diligence on your selected target properties.

At this stage you should have compiled a list of properties that satisfy your investment criteria. You will need to perform further research on the individual properties before you are ready to start submitting offers.

1. Purchasing new/off the plan properties

Project Due Diligence

- Have you viewed full indicative plans with dimensions and measurements showing individual floor layouts, elevations and site set out, with colour illustrations as well as a full scale model and any other development marketing material?
- If purchasing in a house, townhouse or unit development off the plan, do you have a summary schedule of all properties in the development outlining total building area, total land area, total floor area, balcony, courtyard and terrace areas, garage and car parking areas?
- If purchasing in a house or townhouse development, have you worked out the purchase price divided by the building area to obtain a price per square metre ratio?
- If purchasing in a unit development, have you worked out the purchase price divided by the floor area excluding balconies and garages to obtain a price per square metre ratio?
- How many units are in the development?
- Where is the apartment or townhouse (and/or car park) situated in the proposed development. For example, the description may read 1st floor rear northwest corner and car park No 116 in basement 1. What is the access is like from the car park to the apartment or townhouse?
- What is the ratio of owner occupiers to investors that have already purchased off the plan?
- How long has the project been marketed for?

Architect Due Diligence

- Is the development an architecturally designed building?
- Is the architect a brand name architect?
- What are previous projects designed by the architect?
- How have previous projects performed in regards to capital growth and rentals?
- How do these projects look 1, 2 or 5 years after being built?

Builder Due Diligence

- Who is the builder engaged to construct the development you are targeting?
- What previous other projects has this builder constructed?
- Were previous construction jobs completed on time?
- Have you inspected other projects by this builder to determine the quality of workmanship?
- Have you spoken to owners of units in buildings constructed by the builder to find out if there have been any major defects since completion?
- Have you checked the builders' credentials with your state based Housing Industry Association [HIA] body?

Developer Due Diligence

- Have you examined any previous projects completed by the developer to assess the level of quality and satisfaction? Are there any demonstrated resales in these projects, and how have they performed in relation to other comparable projects?
- When purchasing off the plan, has planning approval been granted for the project you are targeting, or is the development still awaiting [subject to] planning approval?
- Is development of the project subject to bank pre-sale requirements, if so, how many units need to be sold to commence construction?
- If the development doesn't proceed have you negotiated a penalty guarantee from the developer?
- When will the project commence?
- Is the project to be developed in 1 or more stages?

RE-Search Kit.

Fixtures and Fittings Due Diligence

- Have you thoroughly scrutinized the list of construction and internal fitting specifications, and do all specified items have model numbers and clear product descriptions, or is the schedule of specified items vague and unclear. For example, have words like 'builders range' or 'as selected' been used?
- Have you visited building trade supply centres and other display suites to understand what each specification item is, and what the end product will actually look like? You can easily follow current architectural and interior fashion trends by purchasing architecture and home design magazines?
- Have you checked with an independent architect or an interior designer that the proposed level of finish is suited to the location and the buyer or tenant profile? For example, prestige inner areas require a completely different level of finish than outer less sought after areas.
- Have you considered upgrading the developer's fixture and fitting specification items to further enhance capital and rental value? For example, to meet the target market the property may require a higher standard of finishes than specified, eg stone bench tops, brand name appliances, real timber floors or porcelain tiles, designer door furniture and cabinetry etc.

General Due Diligence

- Have there been many 'flippers' who have purchased properties within the project? To reveal this, say to the agent that you are prepared to trade your property then assess the agent's level of confidence in trading your property prior to settlement. Ask if many other buyers are considering doing the same, as it can help indicate how many purchasers are not intending to settle.
- Have you assessed the genuineness of the off the plan contracts of sale. For example, when a project claims that 60% of properties are already sold, have you asked the agent to see each of the contracts of sale? Has each property in the development been purchased by individuals or nominated companies or has one party purchased multiple units?
- How many developments within the surrounding area are currently being marketed that are in direct competition with the subject property? It is very important to inspect all of them. How do they compare regarding location, finish, projected rent, and price?
- It is very important to establish if there is any likelihood of the specific property being built out whereby any views that you may have today are obstructed by new development tomorrow.

Points to consider when properties are marketed with rental guarantees

Determine whether the purchase price is 'loaded' to compensate for the cost of the guarantee to the developer. Assess whether the company offering the rent guarantee has substantial assets to back up the guarantee and is not a $2 shelf company.

Your purchase price should reflect a minimum of 5% rental return based on true market rent and not some guaranteed rent.

ACTION STEPS

Determine the price you would pay for a similar size and positioned second hand property and compare the price to a brand new property. How do the two price levels compare?
Does this analysis lead you to believe that buying a second hand property and renovating would be more cost effective and provide a similar or better end result than buying a brand new property?

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

2. Purchasing established second hand properties

You shouldn't purchase second hand property unless you can add value to the property through renovation.
How would you describe the property in relation to the surrounding housing? For example, is it of a consistent architectural style to the surrounding housing?
Would you describe the property as being the best house in the street, above average, average in comparison to most houses in the street, below average property but with potential? For example, it is often advisable to buy the worst house in the best street as there will always be demand for any type of house within a well sought after residential street.
What orientation does the property face north, south, east or west? Does it provide sufficient natural light?
Determine if the property had a prior history of alternative uses that may provide some environmental hazards, ie: manufacture, storage or emission of toxic material.
Does the property require any major structural improvements? To your novice eye are there any noticeable building faults or maintenance issues that need immediate attention?
Do you believe there are any non-complying alterations or improvements that have been carried out by a previous owner that may not conform to the council's building requirements?
Have you arranged an independent building inspection by a qualified building engineer to provide you with a full report as to the structural soundness and overall condition of the property?
Given the current condition of the property what does your sales analysis show as being the average price for this type and style of property in the area?
How many brand new developments within the surrounding area are currently being marketed?
Determine the sale prices of properties within these developments as they will provide higher references for revaluation or resale purposes

Points to consider when assessing the renovations required to the property

Are you completely up to date and familiar with the latest modern finishes being incorporated into today's architecturally designed developments? Use your design knowledge to determine the renovations required to bring the property to a brand new equivalent. For example, provide similar finishes to the brand new projects being marketed within the same area, including appliances, tiles, carpet, floorboards, feature walls, double showers, granite benchtops, etc. Have you had advice from a brand name architect or designer on how to best update the external facade of the building - including rendering, concreting, landscaping, improving the common areas, and entries? Have you chosen all these fixtures and fittings and negotiated a wholesale purchase price? Have you obtained a full costing of the job - both internal and external? Do you have a renovating team ready to carry out the required works as quickly as possible?

In your opinion, determine the potential capital gain achievable through the renovations. Also determine how much extra rental each week the renovated property will attract.
Have you checked with a valuer to establish a second opinion of the value upon full completion of the proposed renovation? Have you collated all the higher sale references for the valuer to support and justify your opinion of value? Ask the valuer what valuation he will be prepared to submit to a lender based on the proposed renovation.

ACTION STEPS
Inspect fully renovated and brand new properties to establish what prices these properties are achieving. This will assist you in determining whether you can add sufficient value through the proposed renovation or whether you will be overcapitalising. If the renovations only add value equivalent to the cost of doing the renovation then it is deal is not worth doing! You must perform this type of analysis before proceeding with any renovation works.
If you are targeting a second hand apartment, you must determine the body corporate's attitude to any proposed external renovations. You may need to explain to all the existing owners that they can make a huge capital gain if the apartment block is renovated externally even if they do not change the inside of their property. To maximise your capital gain, you must try and obtain agreement from the body corporate to carry out the external works.
Make sure you also inspect and assess the rental values of renovated and brand new properties in the area.

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

3. Property Investment Analysis

Once you have selected a number of properties that match your investment criteria you should perform a detailed property investment analysis to ensure that all the numbers stack up financially. In other words, is the deal going to be profitable or not? Rather than spending hours designing complicated excel spread sheets you can now purchase powerful software programs that make 'crunching the numbers' a breeze. www.dolfderooes.com sell a program called REAP and www.somersoft.com.au sell a package called PIA [Property Investment Analysis]. These analysis packages are an essential decision tool for investors. Both programs analyse the capital growth, cash flows, and tax implications for any investment property and provide instant feedback on the projected after-tax cost and rate of return. The software can also compute cash flow projections for up to 40 years and has facilities for changing more than 100 variables including property price, rent, capital growth, inflation, deposit, loan type, etc. The internal rate of return (IRR) and the cost-per-week are recalculated automatically whenever a change is made. All you have to do now is plug in the right figures to quickly assess any number of investment scenarios and to calculate your best and worst case scenarios.

ACTION STEPS

By now your comprehensive research will ensure you have the confidence to identify at least 5 properties that fit your investment criteria. You may find that your top 5 investment opportunities are a mix of new and established property and that they require different investment strategies and finance structuring.

To be able to compare all your potential investment opportunities to each other you need to perform a computer assisted property investment analysis giving you each properties internal rate of return. Make sure you also perform a 'sensitivity analysis' to explore all the possible 'what ifs'. For example, what if the capital growth is only 3% or vacancy rates are 5%, what if interest rates go up 1 or 2%, what if you borrow 100% of the properties purchase price or you put in a larger deposit etc.

Once you have completed the above steps you will need to perform detailed comparable sales and rental analysis of each property to ensure you buy at the right price. It will be your ability to take immediate action that will result in you outsmarting other potential buyers!

Step 6

Undertaking Comparable Sales Analysis

In order to obtain 'up to date' knowledge of the property values in your target area you should keep a record of the sale prices of each property you inspect. You can easily create your own database of sales information by keeping open for inspection brochures and by the recording sale prices as they occur. You can also get comparable sales data online at www.homepriceguide.com.au, www.propertyvalue.com.au and www.rpdata.net.au [for free property sales data reports visit our website or call us on 08 8451 1500].

This analysis will allow you to subjectively compare properties to quickly determine whether your property is better, worse or similar to the comparable sales evidence properties. It will give you up to the minute market knowledge and the ability to quickly assess values so that you are in a position to act immediately should your deals stack up!

ACTION STEPS

Inspect every comparable brand new property in your area.
Inspect every comparable established property sold via private treaty, where possible.
Attend a minimum of 10 public auctions in your area to determine buyer demand and profile in your area.
Create your own up to the minute property sales database.
Create a research journal of newspaper articles relevant to the property market and your target area.
Analyse the comparable sales evidence to a 'rate per square metre basis', using a direct comparison approach. Simply divide the purchase price by the total building area [houses and townhouses] or floor living area [units] to achieve the rate per square meter. For example, a purchase price of $350,000 divided by a building area of 100 square metres gives you a $3,500 per square metre rate. [see next page for details]

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Comparing properties on a rate per square metre basis using a Direct Comparison Approach

The Direct Comparison Approach of comparable property analysis is a quick and reliable method to compare new and established properties. It should be used to compare the similar properties to the ones you have selected in your target area. Make sure you use recent sales to give you the most reliable figures.

The Direct Comparison Approach focuses on comparing similar property types and styles, or like with like, applying only a few adjustments. Making relevant adjustments is a process of subjectively adding or subtracting features to arrive at a comparable value. For example you will need to take into account; area, location, land size, building area, aspect, quality of finishes, parking provision, renovation required, etc.

For houses and townhouses work out the 'building area' in square metres.
For example, your property is a single storey 3 bedroom 10 year old modern brick house in a good location with a 2 car garage on 700 sqm of land, and 160 sqm of building and you now want to estimate the purchase price before you make your offer.

The first step would be to research 5 comparable properties in your target area:

Property 1
7 year old 3 bedroom brick home, single storey in an inferior location with a single car port on 650sqm of land and 160sqm of building sold for $325,000. Rate per square metre building area is $2,031sqm.

Property 2
3 bedroom brick veneer newly completed home, single storey with a 2 car garage on 670sqm of land and 165sqm of building sold for $375,000, Rate per square metre building area is $2,143sqm.

Property 3
10 year old 2 bedroom brick home, single storey with a 2 car garage on 675sqm of land and 135sqm of building sold for $302,000. Rate per square metre building area is $2,237sqm.

Property 4
3 bedroom timber home, single storey with a car port on 650sqm of land and 135sqm of building sold for $315,000. Rate per square metre building area is $2,133sqm.

Property 5
Double storey 3 bedroom brick home with a 2 car garage on 700sqm of land and 185sqm of building sold for $390,000. Rate per square metre building area is $2,108sqm.

Using this calculation method you can see that the rate per square metre of building area ranges from ~$2,000 to $2,250/sqm. Property 4 and 5 are not as comparable to your property and would require further adjustment while Property 1, 2 and 3 represent the most comparable:

- ⇨ Property 1 is the most comparable but is in a worse location and only has 1 car park and therefore your property would be worth more.
- ⇨ Property 2 is newer than your property, and although it is on a smaller block it has a bigger building area and therefore would be worth more than your property.
- ⇨ Property 3 is the same age as your property but has only 2 bedrooms and therefore has a higher rate per square however as it has one less bedroom its overall value will be less.

To estimate the market price of your property you would adopt a rate closer to Property 1.
Allowing an adjustment for the additional car parking and superior location a rate of $2,100/sqm could be applied. As your property has a building area of 160sqm it would be valued at approximately $336,000.

For units, work out the 'floor area' in square meters and then analyse the sales according to the above examples on a per square metre basis. You should exclude balconies and garages, however you need to be subjective and make adjustments for larger balconies, better finishes, more car spaces, etc.

Points to consider when obtaining comparable sales evidence:

- Number of levels or storeys of the property
- Number and size of bedrooms
- Built in robes in bedrooms
- Number of bathrooms
- Ensuite bathrooms
- Size and layout of kitchen area
- Separate meals area
- Separate laundry facilities
- Land Area
- Size of living areas
- Size of balcony areas
- Other outdoor areas, ie: courtyard, front, back or roof garden
- Quality of finishes and fittings
- External façade appearance and overall design aesthetic
- Provision of heating and cooling facilities
- Number of car parks
- Security
- Privacy
- Property orientation
- View and outlook
- Access to natural light
- Level of the property in the building
- Position of the property in the development
- Distance to public transport
- Distance to shops
- Distance to schools
- Number of units in the development
- Time taken to sell the units in the development
- Price discounting required to sell units or were most sold at the list prices
- Remaining unsold units in the development
- Rate per square metre of building area for houses and townhouses
- Rate per square metre of floor area for units
- Average rate per square metre for the building or project
- Other unique characteristics
- Type of car parking, ie: security open car space, under building security car parking,
- single garage, double garage, tandem garage, on street car parking, etc

Additional points to consider when obtaining comparable sales for second hand properties

- If purchasing a house, how does the land size compare?
- Does the property offer any redevelopment potential? Developers will often pay a premium for such land and that premium will need to be discounted to form a true comparison?
- Is the street a better residential street? For example, a tree lined street with less traffic.
- What was the condition of the building? Did it require more maintenance or renovations than your property?
- Internally was property in better condition throughout, if so, how much better?
- Did the property have any special features? For example, a north facing courtyard, view of the city, 2 street frontages, a corner block, etc?
- Did the property provide off street parking, single garage, double garage or open parking space?
- If the sale property was a unit was car parking allocated on the title?
- Was the buyer an owner occupier who paid a premium to secure the property or an investor?
- Was the property sold at public auction or privately?

p 08.8451.1500 f 08.8451.1501 e hq@urbantechgroup.com.au a 57 Henley Beach Rd Mile End SA 5031

Additional points to consider when assessing the value of second hand property relative to brand new property

- Compare the total cost of purchasing a second hand property (acquisition and renovation) to what similar brand new properties are selling for. For example, if a second hand property is only $50,000 cheaper than a similar size brand new property and you need to spend $75,000 in renovations to the bring the second hand property up to the standard of the new one, then you know you are paying far too much for the second hand property. If there is not any profit in the deal after a renovation then it does not offer good value. In fact it is overvalued and you are better off buying a new property that will require less ongoing maintenance.
- Determine the ‘price ratio’ of second hand property to brand new. For example, can you purchase 2 un-renovated townhouses for the price of 1 brand new townhouse? Often you can use this ‘price ratio’ to calculate a rough estimate of a second hand property values in your area.
- Rather than missing out on a potentially great renovation deal you can pay the asking price if your research shows that there is a significant ‘gap’ between second hand property and brand new prices. You can often increase the value of a second hand property by up to 3-4x the cost of the renovations. The benefit is that property prices will always continue to rise in the long term however with established property you can create instant capital growth through renovations.

Selecting and ranking comparable properties

- Make up a table or spreadsheet when selecting and ranking comparable houses, townhouses and units in your target area in terms of estimating values, and make subjective opinions whether the comparable properties are better, worse or similar to the subject property.
- Use the **Points to consider when obtaining comparable sales evidence** and the **Additional points to consider when obtaining comparable sales for second hand properties** [previous page] as a guide when making adjustments for the differing features between comparable properties.

Step 7

Undertaking Comparable Rental Analysis

Familiarise yourself with the rental market and determine what is the average rental per week for similar properties within your area. Consider the difference in rent per eek between similar sized new and second hand property.

- Determine what type and style of property is most quickly rented and assess whether there is a shortage of that type and style of rental stock in your target area. What condition and level of internal finish does the tenant profile require? For example, freshly painted, polished floorboards, granite bench tops, double showers, brand name appliances etc?
- What are the current vacancy levels for the target area? Make an assessment as to why you think those particular properties have remained vacant. For example: was it due to poor condition, poor location, no car parking, over priced rent, oversupply etc?
- Are there competing developments or similar properties that may always impact on the rentability of your property?
- If buying off the plan, determine how long it will take to rent the target property given that a certain amount of units in the development will be competing for tenants at the same time? Assess whether the target property is unique enough so that it may be able to be leased 'off the plan' or prior to settlement, so as to avoid any period of vacancy.
- Research and ask agents if there is any demand for 'corporate rentals' Contact relocation agencies for their opinion on whether the property would be suited to a corporate tenant. If not, what style of accommodation does this tenant require? What standard or quality of furnishings is required to attract corporate tenants? What is the general length of a corporate tenant lease?
- Are agents negotiable on management and letting fees? What will the agent 'guarantee' as an achievable rental amount? Determine the best case and worse case rental range.

ACTION STEPS
You can familiarise yourself with the rental market and determine average weekly rentals for comparable properties within your target suburb by visiting a selection of real estate agents/property managers and by performing online searches at websites such as www.realestate.com.au and www.domain.com.au.
Determine average rental yields for comparable properties in your target suburb. Apart from your online research you should also ask selling agents their estimation of weekly rent for similar properties they are currently marketing for sale. For example, a similar $250,000 house may currently rent for $265 per week [$13,780/yr] therefore has a 5.5% rental yield [$13,780 divided by $250,000].
To determine vacancy rates visit selected real estate agents/property managers in your target suburb and assess the number of comparable properties available on their rental list. Ask the property manager how many similar properties on their rental list have been available for lease for greater than 2 weeks, then divide that number of vacant properties by the total number of similar properties available for lease to determine the vacancy rate.

Selecting and ranking comparable rental properties

Make up a table or spreadsheet when selecting and ranking comparable rental properties in your target area, and make subjective opinions whether the comparable properties are better, worse or similar to your subject property.
A rental property's location, number of bedrooms and number of bathrooms are key factors when comparing rental properties. Car parking may also be a key factor in areas where off street parking is highly sought after or scarce.
As a guide use the **Points to consider when obtaining comparable sales evidence** and the **Additional points to consider when obtaining comparable sales for second hand properties** [page 16] when subjectively comparing the relevant features between properties.

Step 8

Hone in on your target property and commence negotiations to purchase a property

Having carried out a full due diligence process you will now be in a position to make an informed offer to purchase your target property!

ACTION STEPS
Depending on your level of market knowledge, prior to negotiation, you may wish to obtain an independent valuation of your property by a bank appointed valuer. This formal valuation is a negotiation tool and can be useful to justify your offer price to the agent or developer.
Determine the motivation of the vendor for selling? Is the vendor desperate? This can lead to the vendor unexpectedly accepting a low offer.
Inquire about settlement terms? Will the vendor accept a long-term settlement? In order to obtain a longer term settlement you may need to explain to the vendor that you are prepared to compensate them. You may pay the vendor's interest on their current mortgage until settlement, pay a larger deposit or a pay a higher price for the property. Additionally you can even educate the vendor as to how they can release their current equity to purchase another property immediately.
Have you inquired about obtaining access to the property prior to settlement in order to carry out renovations or to attract a tenant?
Try and negotiate less than the standard 10% deposit terms? $2,000 - $5,000 is often enough
Have you made your offer 'subject to finance', 'subject to a building inspection' or any other 'subject to ...?' condition, so that you can cancel the contract should the need arise? [*to obtain a free 'letter of offer' template simply visit www.finance.urbantechgroup.com.au or call us on 08 8451 1500]
Make sure you sign your offer '[your name] &/or nominee' to give you the flexibility to settle the property in a company name if you desire.

Additional points to consider when entering final negotiations to purchase a property:

Will the Vendor accept your deposit in cash, deposit bond or bank guarantee?
Arrange for a solicitor or conveyancer to peruse the contract of sale and vendor statement.
Obtain professional advice [Accountant or Tax Lawyer] as to the most efficient structure to hold the investment property, ie: personal name, company, trust. If unsure you can purchase the property in '[your name] and/or nominees' and decide at settlement the structure that you will settle the property in.
It is essential when purchasing a recently completed dwelling, that prior to hand over and settlement, you instruct a building inspector to provide a detailed building report, as many new properties have defects on completion. Do not cut corners here because the dwelling appears to have no defects to the untrained eye.

ACTION STEPS
Once your offer has been accepted you should immediately contact your Urbantech Finance Loan Technicians on 08 8451 1500 to arrange the appropriate finance required to settle your property on time! Your Loan Technician will let you know of the exact amount of funds required to cover all the transaction costs. For example, bank establishment fees, solicitor's fees and disbursements, stamp duty on transfer, stamp duty on mortgage, registration of transfer, registration of mortgage etc.

What is your property investment strategy?

The aim of investing in property is to either create Capital Growth or Cashflow.

The old way is to buy, hold and wait, and then wait some more. The new way is to create value, fast. You can create capital growth by renovating established property, developing new property, buying in bulk to achieve wholesale prices, buying in a booming market, subdividing land or even buying in the first stage of a new subdivision. To create cashflow you can buy in outer areas with high rental yields, use lease options or purchase high yielding retail or commercial property.
The catch? You have to buy property to enjoy the benefits of it! Many people use Joint Venture [JV] Partnerships to leverage their way into property. A JV is usually two parties who form a partnership to buy property that individually they could not afford. For example if you make a high income and have little debt then you can easily borrow money and become a DEBT Partner. If you have Equity in shares, property or cash then you can become an EQUITY Partner and provide the remaining funds to settle and add value to the property [ie. renovate, develop, subdivide].

LEARN HOW TO FIND, BUY, INNOVATE AND PROFIT FROM PROPERTY INVESTMENT!
The RE-Search Kit will help to gain a very sound understanding of property however, before you rush in you should consider working with a professional. **So how can we help?** There are 2 main ways we can help you find, buy, renovate and profit from property;
1. Do it Yourself: We can *teach you* how to find, buy, renovate and sell properties for maximum profit through our flagship 2-Day Renovation Workshop and Field Trip. This is ideal for people with some property experience or those who have a desire to tackle things by themselves but lack the knowledge, skills or contacts required.
2. Get us to Help: We can *help you* find, buy and renovate property via our Buyers Agent and Renovation/Project Management service. This is ideal for people who are time poor or for those that still lack the confidence to get started or go it alone.
***Special Bonus - $500 Service Voucher**: To reward you for completing the RE-Search Kit we would like to give you a $500 Service Voucher redeemable towards our Buyers Agent or Renovation service fees. For more info or to redeem your voucher call 08 8451 1500 or visit www.investor.urbantechgroup.com.au

Urbantech Investor
:: powered by Urbantech Group Pty Ltd
p 08.8451.1500
f 08.8451.1501
e hq@urbantechgroup.com.au
www.urbantechgroup.com.au
57 Henley Beach Rd Mile End SA 5031

dream . plan . borrow . invest . profit . protect