

Three Ways to Control a Property Development Site

by Adrian and Amber Zenere

Real estate development projects begin with identifying potential development sites. Doing your homework at this early stage is vital to reduce the inherent risks as much as possible. We've found that by controlling the site effectively it can reduce the costs and risks associated with real estate development.

Once we have identified a promising site, we check that there are no potential restrictions on the land that could prevent the development project from proceeding. Once we're confident that it will be a viable development, we try to tie-up or control the property as soon as we can.

An important part of our feasibility process is to work out our "*residual land value*". This is what the land is worth to us, based on the final outcome and the profit we stand to make by developing the land. This figure can bear very little relationship to the asking price for the property, which will usually be based on the real estate agent's estimation of its value to owner-occupier or investor purchasers.

After we have let the agent know we're interested in the property we prefer the seller to start the negotiations. Wherever possible we like to purchase from motivated sellers. There are simply too many opportunities and it's unnecessary to waste valuable time trying to negotiate with unmotivated vendors. If you're not good at negotiating, you may wish to consider a Buyer's Agent.

We usually start our offers below the residual land value that we calculate in our feasibility study. While the final price is important we also look for value, which may mean having our savvy property solicitor come up with favourable terms and conditions.

Like most investors we love to grab a bargain, however, if it's the right site and the numbers prove we'll turn a decent profit, we're always prepared to pay a fair price, based on our residual land value which is what the land is worth to us.

The best scenario is always a win/win situation for both parties. The residual land value we have calculated may well be more than the vendor's reserve price, because we plan to add value. In that case, we can usually comfortably agree on a price which makes both parties happy.

We never get emotional and only proceed if the numbers work.

There are several creative purchasing strategies which can help to make a development project easier, more profitable, or both.

Delayed settlement

This is probably the most common way of controlling a site. Normally, but not always, a higher purchase price is paid in exchange for a delayed settlement. It is our aim to have our development approved during this time which gives us the ability to on sell the property at a higher price with the development approval in place or start our development soon after settlement, saving on interest payments and other holding costs.

Joint Ventures with the Land Owner

Typically, the Owner may agree to exchange his land for housing unit(s). An independent Valuer/Appraiser is normally engaged to determine both the land value and the new housing unit value and, if they are not of equal value, a monetary adjustment can be paid when the development is complete.

We find Joint Ventures are a great way for newcomers to get started, as it allows them to share part of the profits while sharing part of the risk. Of course, you must always obtain proper legal and financial advice to protect your best interests in such an arrangement.

Property Options

An option is an agreement with the Owner where, for a relatively small non-refundable fee, a developer has the right, but not an obligation, to purchase the property by a pre-determined date. This usually gives a property developer, time to obtain a Development Permit approval. Options also allow real estate developers to "lay by" a property and buy it at a later time if they wish to so.

For more information browse: RealEstateDevelopmentClub.com

Adrian Zenere is a Registered Architect, Licensed Builder and Property Developer with nearly 3 decades of experience in the design and construction industry along with his wife and business partner Amber they have built a sustainable Real Estate Development (RED) business.



Together they run a busy Sydney boutique architectural practice archizen.com.au specializing in Holistic Architecture, combining eco sustainable development principles with the philosophy of feng shui, resulting in harmonious living that is respectful of our environment. Their projects are regularly featured in the Australian Property Investor, Luxury Home Design, Lifestyle Magazine, Home at Yellow and many Sydney newspapers.

Adrian and Amber are also authors of the popular small Real Estate Development book '**RED Armchair Entrepreneurs RED Hot Property Profit\$**' and founders of the '**Real Estate Development Club**' where they use their professional knowledge and experience to help beginners get started in small property development and build a sustainable RED business.

To have a closer look at Adrian and Amber's Real Estate Development process and access your free webreport visit: RealEstateDevelopmentClub.com

To purchase Adrian and Amber's small Real Estate Development book for beginners visit: REDarmchairEntrepreneurs.com

