

PROFILE #3

WOMEN ON TOP



THE DEAL: Duplex development & subdivision

EQUITY GAIN: \$106,198

STRATEGY: Buy and hold

LOCATION: Newcastle, NSW

They say you can have everything you want in life, just not all at the same time.

If you're like Karen Brownlee and Katie Ferro – time-poor but with development aspirations gnawing away at you – this is your story.

Close friends Karen and Katie are two corporate women leading busy lives juggling families and careers. But that didn't stop them gaining \$106,198 in equity from their first development project... with a bit of enlisted help.

So, how did the pair make their property dream happen?

"We'd broached the idea years ago – 'wouldn't it be great if we could do something together?'" Katie shares.

"The thought of sharing the financial burden along with the risk profile together really worked for us."

It was after attending a women's property forum five years ago that the seed for them to do something jointly was planted. The main setback, however, was time, so the ladies enlisted the help of a professional project manager they'd met at the forum all those years ago.

"She just stayed in our minds," they say. "After our due diligence and research, we knew we wanted to work with her."

Their trusty project manager handled the project from the beginning, starting with sourcing the location, the project analysis and feasibility for the potential venture – which suited the pair perfectly.

■ SITE SELECTION

Newcastle was the chosen location, in which their grand plan of owning a duplex would be realised.

"It's continuing to grow and develop, employment opportunities are expanding, there's continuous



The duplex

THE NUMBERS: KATIE AND KAREN

Description	Costs
Purchase development site – land for dual-occupancy project	\$265,000
Entry costs (stamp duty, legal fees)	\$4,993
Construction cost to build two attached three-bedroom, two-bathroom, villas. Cost includes surveys, geotech report, design, plans, planning costs, council fees and charges, engineer plans, private certifier costs, turnkey construction (includes landscaping, driveways, fencing) and Torrens title subdivision costs	\$468,549
Rebate from land developer	-\$5,000
Project management fee	\$65,260
Other costs: interest holding costs (tax deductible)	\$15,000
End value of each villa	\$460,000 each (\$920,000 total)
Equity created	\$106,198
Rent received	\$470 per week per villa

investment in infrastructure and it's close to Sydney," Karen says.

They purchased a block of land in a new estate for \$265,000.

"Karen and I used equity in our own properties to borrow against for some of the loan, such as the land and project management fees. Then we needed a construction loan together for the actual build," Katie says.

■ THE PROJECT STAGES

The two women had to sign off on each step, while their project manager coordinated each stage along the way.

The phases included:

- ▶ Design – the concept plan, then full DA plans and preparation.
- ▶ Pricing – three builder's tenders were completed at concept plan, development application (DA) approved plans and then finally on

DEVELOPMENT TIMELINE

7 Oct 2014	Exchange on land
10 Oct 2014	Settlement on land
17 Oct 2014	DA lodged with council
13 Feb 2015	DA approved
6 Mar 2015	Construction certificate application lodged
19 Mar 2015	Construction certificate issued
Mar 2015	Applied for construction finance
9 Jul 2015	Authority to commence building received from lender
1 Jul 2015	Site cut
14 Jul 15	Slabs laid, construction works commenced
23 Dec 15-18 Jan 16	Christmas break
23 Jan 2016	Practical completion inspection
5 Jan 2016	Occupation certificates issued
11 Jan 2016	Depreciation schedules issued
23 Dec 2015	Handover after final payment received by builder
8 Jan 2016	Villa 1 tenanted
11 Jan 2016	Villa 2 tenanted

construction certificate (CC) plans, with the final tender forming part of the builder's contract.

- ▶ Planning – obtaining the DA and CC.
- ▶ Finance – finalising construction finance (this can take a long time as banks can be slow).
- ▶ Construction.
- ▶ Handover and tenant procurement.
- ▶ Subdivision registration.

Both ladies agree the construction finance was the most difficult part of their experience.

"There were no issues with finance, the banks were just a bit painful to deal with and very slow," Karen says.

"In our case it took four months."

The project was completed and handed over within 14 months of settlement on the land. This included a four-month finance phase and the three-week Christmas break. The end

result: two attached three-bedroom, two-bathroom villas the ladies describe as "gorgeous".

"We were so happy with the outcome," Karen says.

There was also another thing to be happy about... the numbers! The total cost of the project came to \$813,802, while the final value for both villas came back at \$920,000 or \$460,000 each, ultimately creating \$106,198 in equity on the property. Katie and Karen are two very happy ladies with plans of holding their villas for the long term.

■ DEED OF PARTITION

While the good friends entered into the joint venture together, it doesn't mean they'll be lumbered with each other's finances forever.

“The thought of sharing the financial burden along with the risk profile together really worked for us.”

"We're in the process of separating titles of the duplex so that Karen and I each own one unit. As they're both exactly the same we chose who would get each unit by tossing a coin!"

Another highlight for the pair is that they didn't endure the usual stress handling a development project over the past year.

Who said business and friends shouldn't mix?

Their friendship and working relationship is as strong as ever.

"We have a high degree of trust for each other, after going through so many scrapes ourselves over the years," Katie says.

"It's a really good feeling to have a friendship like that," Karen adds.

THE DUPLEX DEVELOPMENT

Jo Chivers, director of Property Bloom, says there are a few key reasons to start, and even stay, small in the developing game.

"We're assessing sites all the time, but what's interesting is often when we compare the smaller, dual-occupancy projects with the larger development sites (four townhouses plus), the numbers just don't stack up as well as smaller dual-occupancy sites from a return on investment perspective," she says.

"I think it's really great if you're starting out to begin with the smaller developments to cut your teeth on, because you'll get a really good understanding of the whole development process.

"Whether you're developing small or large, the process is very similar, albeit a much larger scale for the higher density projects, but you go through the same phases.

"Plus, your outlay is less on smaller developments, so they're easier to finance."

If developing unit and townhouse blocks is your ultimate goal, Chivers says the best place to start is a dual-occupancy project.

"Either a duplex or two freestanding dwellings is a good starting point. A duplex is generally cheaper to build because it's one building, but you've got two separate attached dwellings.

"This also gives you the flexibility at completion to keep one, sell one or hold both as they'll both end up on their own separate title.

"Subdividing, particularly by Torrens title (which is what we always strive for), adds value and gives you flexibility."

The first step is securing the land.

"You need to secure it at a decent

price and in a good location close to community facilities like schools and shops. In New South Wales at the moment, government offers a \$5000 rebate to people buying land to build new property."

STICK WITH ONE COUNCIL

Chivers recommends targeting the same local area.

"If you're starting out with developments, stick with the one council so you really become an expert and understand their requirements. You'll also become familiar with what their fees and charges will be.

"This'll help you quickly assess sites so when a good piece of land comes on to the market, you'll know if you can develop it, how many dwellings you can build, estimated costs, and you'll be able to move quickly."

A builder can make or break your development, so how do you find the right one?

"The worst thing that can happen is for a builder to go into liquidation while they're halfway through your project," Chivers explains.

Even though there should be insurances in place, time is money and you can't claim back lost time.

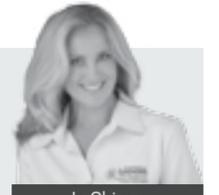
"Some of the little tricks I've learnt when looking for a builder are to talk to the sub-contractors that work for [them]. If you can, go onto one of the building sites they're working on and have a chat to the plumbers, the carpenters and the brickies.

"Just ask them how they like working for that builder. Do they get paid promptly? That's the first indicator.

"If they've worked for the builder for a long time it's a good sign. Talk to past clients, ask for references.

"Check the builder's licensed on the Department of Fair Trading website.

"You can also see if there've been any claims or complaints lodged against them with ASIC."



Jo Chivers

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WATCH VIDEO

Want more? Scan this QR code or visit bit.ly/185pg45 to see Kevin Turner's interview with Jo Chivers.

REAL TALK