

Vol. 1 Issue 1

# THE BEGINNERS GUIDE TO SUBDIVISION

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# About Strategic Property Group

Strategic Property Group is an innovative, full-service property and finance advisory firm dedicated to helping its clients generate multi-million dollar property portfolios.

Whether you're looking to get into your first small development to sure up your nest egg, you want to get serious on joint venture multi-unit sites, or you simply want an experienced and trusted broker who can help you secure finance for your next or first property, we are fully equipped to service your needs in a holistic start-to-finish manner.



# Strategic Property Group Services

We provide a holistic service offering for our clients to accelerate their wealth including: •

- ✓ Mortgage Broking
- ✓ Investment Education
- ✓ Subdivision
- ✓ Multi-Unit Developments
- ✓ Joint Venture Investments

## Contact us

For a free consultation to see how we can accelerate your personal wealth, please contact us on 1300 WE DEVELOP or at [enquiries@strategicpropertygroup.com.au](mailto:enquiries@strategicpropertygroup.com.au)

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# Subdivision - An Overview

Urban Infill in Western Australia will be a key pillar of housing development into the foreseeable future as this once laid back state transforms and renews, growing with industry and global demand for our services.

The WA State Planning Framework Policy, Pathways 2031, specifically singles out urban infill as the more sustainable and economical path towards meeting the housing needs of our burgeoning population, seeking an additional 154,000 dwellings to be supplied by subdivision activities between 2010 and 2031.

In this comes the inherent opportunity for private property investors such as you and me to capitalise on the arbitrage opportunities of transforming generation-old landholdings into housing products suitable for the 21st century.

It's not rocket science, but it takes a keen understanding of the specific corridors of opportunities available in Perth to ensure that a favourable outcome is achieved at the end of the day.

In relieving supply pressures not adequately being met in key growth areas by large-scale land developers, and in times of slow passive growth, undertaking more active investment strategies such as battle-axe and triplex development is an avenue more and more people are accessing in order to ensure their financial freedom in the future.

# Understanding Your Financials

If you haven't already watched the property masterclass on how you can determine the amount the banks will lend you, head over to this link for a more thorough outline.

But essentially, before even searching online for a development block, you need to know what ballpark you're playing in. It's all well and good finding a brilliant subdivision candidate in the inner suburbs, but if your income won't service the loan, or your equity level puts you in LMI territory straight away, it will always be better to lower your sights and take advantage of the low hanging fruit in outer suburbia. Generally, these blocks are more profitable as a percentage return anyway.

## Your Borrowing Capacity

There are a number of ways we can get varying levels of certainty around how much we can get out of the banks.

If you aren't near a phone or computer, the old rule of thumb was always to multiply your gross salary by 5, all other costs and factors held equal.

But, of course that is the back of the envelope method.

Next up would be to download one of the many useful apps that will give you a roughly accurate estimate your borrowing capacity based on some simple questions and broad assumptions.

My favourite is the VOW Financial app.

Vow is a mortgage broking group who have put together a brilliant service that provides you with fingertip access to borrowing calculators, stamp duty estimators, budgeting tools and repayment calculators.

It also offers recent sales, rentals and growth information. All 100% free!

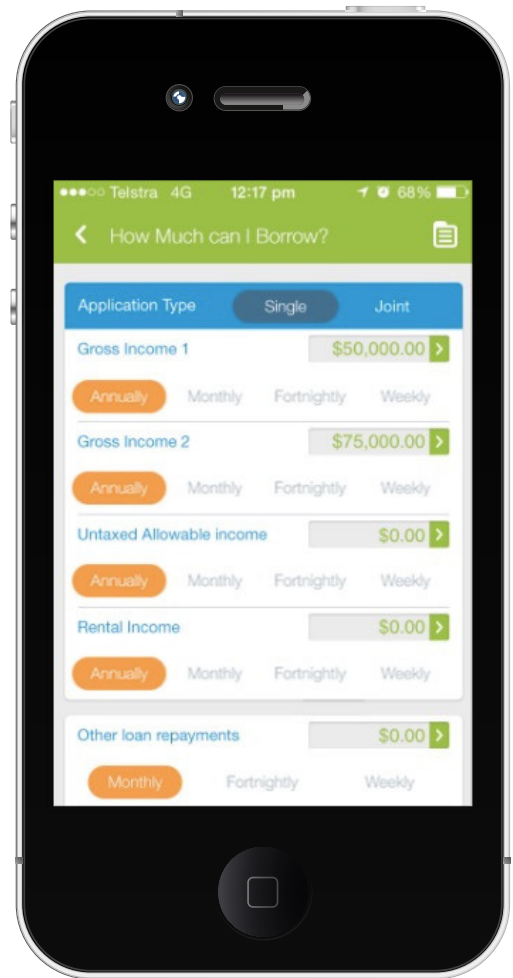
Now, you can also head over to one of the banks' websites and power up one of their online calculators. They go into a bit more detail and will provide you with a more bank-

specific perspective on what they would be prepared to lend you.

Remember, each bank has their own assessment policies, so you may find that the difference between what one bank will lend you compared to another could be over \$100,000.

Finally, and for the most accurate and definitive assessment of your borrowing capacity, I would advise contacting your mortgage broker.

With advanced software that taps into more than 30 lenders in the country, good brokers can not only tell you what they believe you can borrow, but will give you a concrete answer from every single lender in the country with the click of a button.



This way you can save countless hours contacting all of the backs trying to figure out which one is best suited to you.

## Analysing The Market

What you would like to develop and what the market is screaming for can sometimes be 2 very different things.

Whilst you may personally prefer to live in a standalone house or a villa, a little research of what's selling or renting in the area may help you realise that in fact townhouses are the preferred dwelling type in the suburb you plan to develop in.

And being a long term investment affected mostly by demographics, building the right type of property will not only have a big impact on your long term profit, rentability, and valuations, but also on your upfront costs.

If you cant afford the preferred dwelling type for the area, look for a suburb where the market needs meet your capacity and profitability requirements.

Take advantage of all of the free/cheap data from sources such as REIWA, RPData, and valuers such as Heron Todd White, who all offer varying levels of suburb sales and market trend data on a weekly and fortnightly basis.



# Getting to know the R-Codes

Whilst R-codes may seem a little foreign at first, it is important to understand the guidelines provided by the WA Planning Commission on their website, but also get to know the R-Code of each property you research before putting in too much time.

The easiest way to do that is to jump onto the local council website and use their mapping service to do a land search.

In most cases, information on the specific property or at least the specific area will detail the applicable zoning. From there, you can cross-check that against the legislation to make sure you're onto a winner.

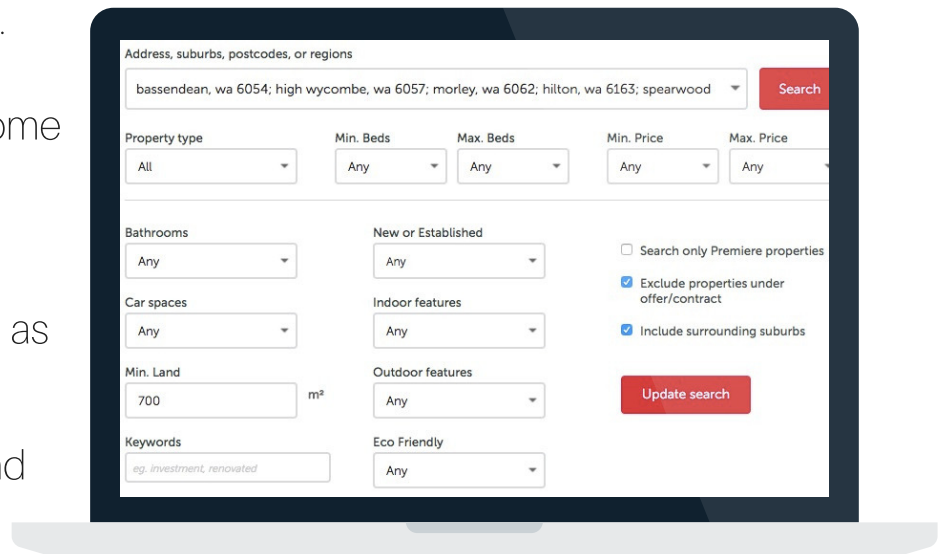
R-code	Minimum lot size (m <sup>2</sup> )	Average lot size (m <sup>2</sup> )
R10	875	1000
R12.5	700	800
R15	580	666
R17.5	500	571
R20	350	450
R25	300	350
R30	260	300
R35	220	260
R40	180	220
R50	160	180
R60	120	150
R80	100	120

In very simple terms, with no mitigating policies or circumstances, if you found a property on a land size of 728sqm and it had a zoning of R40, you would be entitled to develop up to 3 lots on that site. However, if it was zoned R20, you would not be able to subdivide it because the average lot size must be at least 450sqm, meaning a site is not able to be subdivided at R20 unless it is 900sqm or larger.

# Narrow down your suburb search

Once you know your local council maps like you know your favourite tv show, you should start to get an idea of the suburbs that are best suited to your development needs.

For example, there are some suburbs that have been completely rezoned for triplex development such as Balga, Coolbellup, Beckenham, Kewdale, and Lathlain.

A laptop screen showing a real estate search website. The search bar at the top contains the text "bassendean, wa 6054; high wycombe, wa 6057; morley, wa 6062; hilton, wa 6163; spearwood". Below the search bar are several filter categories: "Property type" (All), "Min. Beds" (Any), "Max. Beds" (Any), "Min. Price" (Any), and "Max. Price" (Any). Further down, there are filters for "Bathrooms" (Any), "Car spaces" (Any), "Min. Land" (700 m²), "Keywords" (eg. investment, renovated), "New or Established" (Any), "Indoor features" (Any), "Outdoor features" (Any), and "Eco Friendly" (Any). On the right side, there are checkboxes for "Search only Premiere properties" (unchecked), "Exclude properties under offer/contract" (checked), and "Include surrounding suburbs" (checked). A red "Search" button is at the top right, and a red "Update search" button is at the bottom right.

There are others that have had strategic plans enacted to incentivise private redevelopment around schools and café strips, such as Padbury and Bassendean.

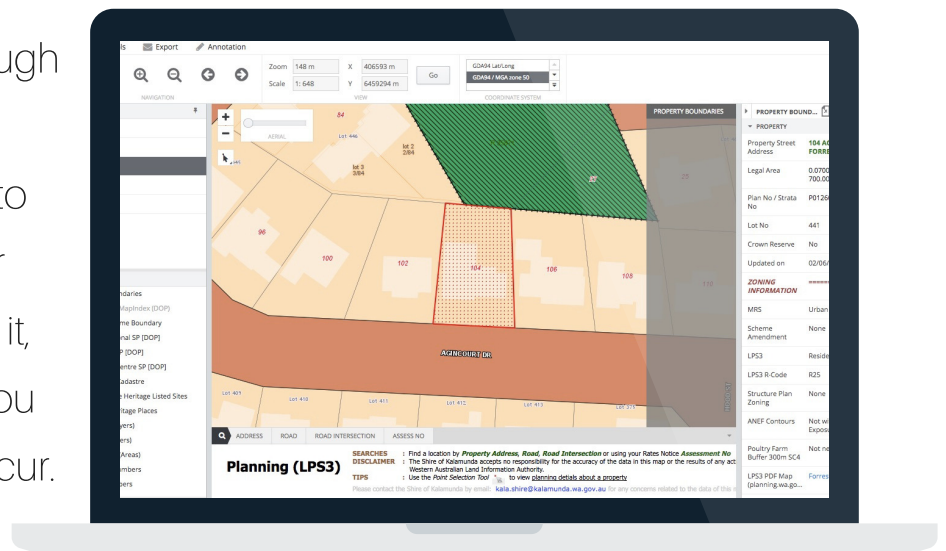
Some suburbs, such as Morley, Scarborough, Balcatta, Wilson, and High Wycombe are also great targets, but you'll need to find the right block at the right price.

These are just a small subset of the suburbs development is possible in. But whilst nearly all suburbs in Perth have at least limited subdivision potential, these are examples that are more likely than not to offer such opportunities. It's up to the researcher, whether you hire a consultant or not, to do the hard work and uncover the hidden gems.

# Cross-check on the Internet

Whilst there are some powerful programs out there that businesses such as Strategic Property Group do use, everyday punters can get by just as easily by simply using free search sites such as realestate.com.au to their advantage.

Instead of searching through thousands of properties, narrow the search down to blocks with land size over 720sqm, with a house on it, and in specific suburbs you know subdivision can occur.



Once you find a few that may fit the bill, cross check them against google maps for a satellite view, council maps for zoning info, and previous sales prices to see if the numbers add up.

You'll need to either develop your own profitability model or consult a professional development team such as Strategic Property Group to be sure that what you are buying is a go-er.

# The Offer

It has long been said that you make your money when you buy, not when you sell.

And that adage sticks on this too.

Whilst there can be some variability in estimated development costs, and values can go up and down in the market, the underlying profit is made when you secure that property at the right price.

If all other factors are appropriately forecasted, it is the only thing you can really influence that can make or break a project margin. From my experience,

2 approaches generally work: The first is to get in quick on the snatch and grab. If a seller just wants to get rid of it, often it's the first offer that will get the chocolates.

However, if you have come to the party later in the piece and the property is still available, it means that it has either been hidden in the pile, the market is soft and in your favour, or the owner is holding out for an unrealistic deal.

This is where you play the long game.

Scope out as much information as possible, make your intentions, borrowing capacity, and interest well-known to the agent, and let them come to you. At the end of the day, there will always be another property.

But when a genuine buyer like you comes to the table, a seller would be stupid not to do their best for your business. Usually, the winner is the one who needs the transaction the least. Make that person you.

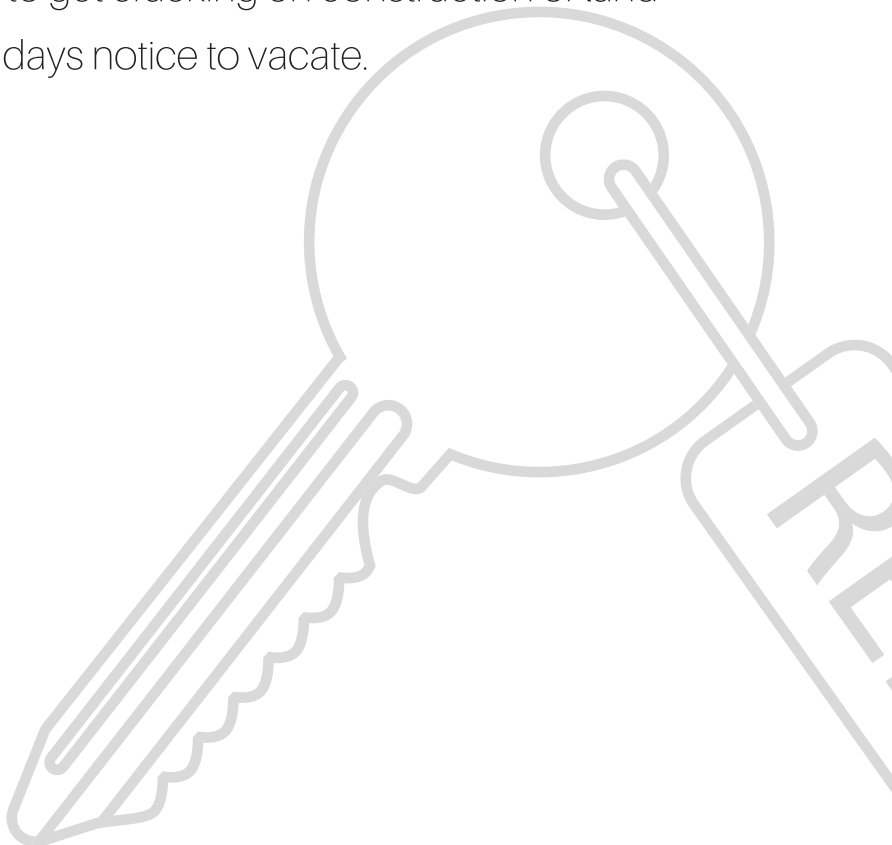
## Tenant Retention

Your holding costs can easily start burning a large hole in your pocket before long if you aren't proactively looking to minimise and mitigate them.

Before even settling, you want to make sure that you have a tenant lined up, either already living there, or looking to move in asap.

If you are planning to retain the original house, sign them up to a 6 month lease to offset the cost of your purchase loan.

If you are planning to demolish the existing house, put them on a periodic lease so that when you are ready to get cracking on construction or land clearance, you can give them 28 days notice to vacate.



# The Development Process

Time is money. And in the development game, time is the most sensitive aspect to profitability.

So why waste a second?

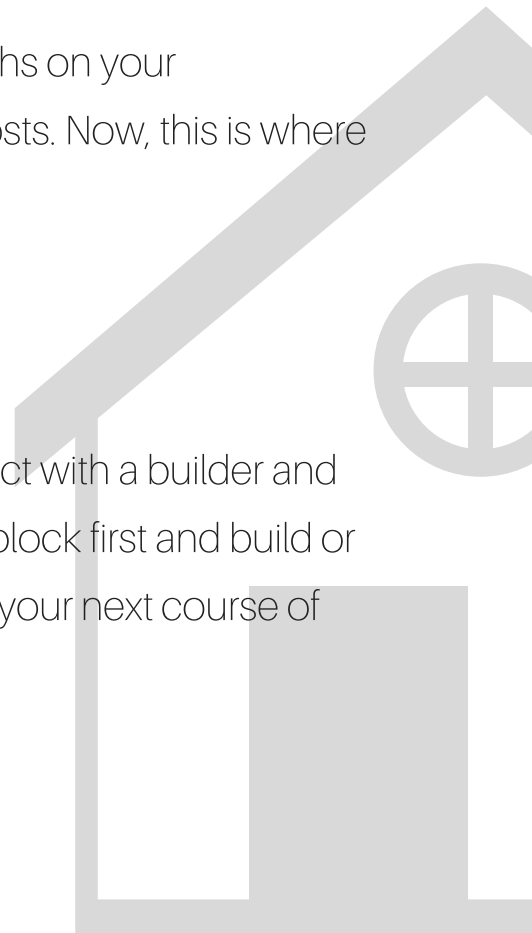
Once you've received an accepted offer, we usually arrange for our clients to go about getting that feature survey completed immediately.

This can take 2 weeks, and as long as you stipulate this as a condition of the purchase, you can get this done whilst getting finance approval. Once completed, you can get straight onto either planning for your built or survey strata development before you're even paying for the mortgage.

These are the little differences that can save your months on your development timeframe and therefore thousands in costs. Now, this is where things can get the least clear.

This is when the real game starts.

And depending on whether you are planning to contract with a builder and develop under built strata, or unlock the equity in your block first and build or sell after completing a survey-strata, this will determine your next course of action.



# Site Development

If you have the equity in the bank to move straight to a built strata arrangement and you have confirmed with your broker that a lender will give you a construction loan with the equity you already have, then this is where the builder will take over and arrange all of the contractors for you.

They will add these development costs to the building contract and you can present this to the bank for finance.

## Site Development

If, however, you are looking to create equity first because you won't have the equity to secure a building loan straight up, you'll need to go down the survey-strata or green title route and either organise the contractors yourself or engage a development consultant such as Strategic Property Group to assist you along the way.

One of the most time consuming periods is the 90-day response time from the WA Planning Commission for your subdivision application. So getting this lodged as quickly as possible is helpful. Again, this can be done before settlement with the consent of the seller.

However, hiring a consultant to ensure you are making the most of the zoning with the best block configuration is extremely important at this stage, meaning the difference between 10s of 1000s of dollars.



So, whilst you can lodged these yourself, I do recommend seeking professional advice here.

Once that is lodged, it's time to start preparing quotes from contractors for expected works on the property. And this is where things can get a little overwhelming.

Some time within the 90 days, you will receive a letter from the WAPC outlining the exact conditions placed on your application. Most of these will be entirely forecastable.

However, if there are any surprises, now is the time to address them. This is the stage where experienced project management skills and a mentor really do come in handy. Not only to ensure that you are receiving the best bang for your buck from contractors, but also that you are scheduling work plans efficiently, working within the law, and optimising your returns from every decision you make.

Subdivision Cost	Related Party	Approx
Feature Survey	Surveyor	\$900
Strata Application	WA Planning Commission	\$3,121
New Service Fee	Water Corporation	\$5,686 per new lot
Underground Power	Western Power	\$680 per lot
Reconnecting Existing Home	Contractor	\$1,250
Site Clearance	Contractor	\$2,500-\$15,000
Existing house new driveway	Contractor	\$5,000
Site Re-pegging	Surveyor	\$4,750
Lodgement	WA Planning Commission	\$560
New Title Creation	Settlement Agent	\$800
Clearance Fees	Council	\$300
Fencing	Contractor	\$1000

Within the space of weeks, your property and bank account could be engaged with the following:

At this stage, you can expect rapid transformation of the aesthetics of your property as well as noticeable pressure on your bank account, with little to no cash coming in.



# Receiving Clearance

Once you believe you have met all of the conditions placed on you by the council, water corporation, and western power via the WAPC, it is time to seek clearance from them all.

Water Corporation will generally only seek you to sign an infrastructure agreement with you and seek that you pay a hefty contribution to their future works costs.

Western Power will seek to ensure you have removed overhead power and replaced it with adequate underground provision to all proposed lots.

Finally, council will ensure that you have redeveloped and redesigned the site to meet the amenity requirements of today's property standards, such as outdoor entertaining and adequate car bays.



# Applying For Titles

This is the stage that you really should leave to the professionals.

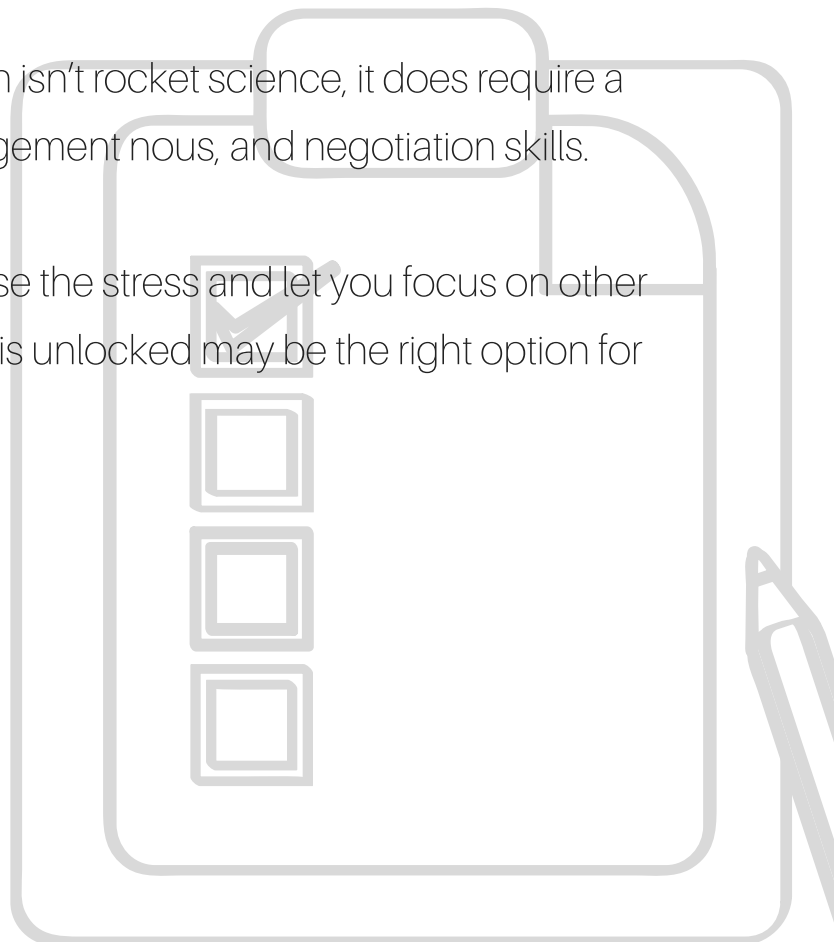
Once clearance has been received, it is then a process of having new titles issued through Landgate.

This will take between 4 and 6 weeks. At this stage, once titles have been created, you have now unlocked enough equity to either sell the land or develop with housing in the best way you decide.

If you plan to build, you should have already had building plans developed concurrently over the last 6 months, and now all that is left is to seek finance from your lender using the new equity you have created in the land.

Whilst this process of wealth creation isn't rocket science, it does require a great deal of patience, project management nous, and negotiation skills.

Finding a mentor or consultant to ease the stress and let you focus on other factors of daily life whilst your wealth is unlocked may be the right option for you!



# Don't stop here! Keep Learning

The first step to successful property investment is education.

Acquiring knowledge will help you identify incorrect information and false claims.

Strategic Property Group's Property Masterclasses and eBooks are your best free resource on the market to continue with that.

To make sure you're invited to our next information session this year, subscribe via the free appointment form on the website. You can also follow us on Facebook where we advertise our upcoming events regularly.



# Need personalised property investment advice?

If you would like to speak to our property investment consultants to gain some advice on your current situation or have any further questions regarding any of the content in this guide, please feel free to contact us using any of the following methods:



Email us at [enquiries@strategicpropertygroup.com.au](mailto:enquiries@strategicpropertygroup.com.au)



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