

negotiation skills



Negotiating Skills

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Negotiating skills

Negotiating goals

- Strive for win win outcome
- Establish trust
- Establish credibility
- Establish rapport
- Be an good listener
- Find the best arrangement for you and the other party.
- You must be seen as a professional and conduct yourself in a business like manner.



use other people's assets as security

Prepare a business plan for the property which includes:

- a. the purchase price and the original list price.
- b. the valuation must be recent
- c. all the plans and drawings in relation to the property
- d. all other relevant details in regards to the property
- e. the property's major 'selling points'

Make sure that whoever you approach, they sign a Confidentiality Agreement.

Approach family, friends and business associates with equity in their properties, or who have the ability to obtain a Letter of Offer from a financier (obtain a deposit bond).

Spend up to one day with the potential investor to showcase the property. Prove that you can secure blue-chip superior property, at a wholesale price. Compare your property to others 'live'. Demonstrate that this deal has potential.

Offer to guarantee the worst-case scenario with your personal guarantee, your partner's personal guarantee and a mortgage (charge) over all your personal and business assets. Demonstrate your conviction in the property and your superior knowledge.

Offer the investor a set fee, or a percentage of the capital gain profit, for their assistance in securing the property.

An easy way to help a potential investor, is to show them how to create the equity required by re-valuing their existing property(s), providing them with proof of increased equity.

- a. use the equity as security for your deposit bond or bank guarantee
- b. the investor gains a substantial increase in potential capital gain profit and a fee for doing the deal (Why wouldn't they do it?)

Approach finance brokers who can introduce you to potential investors.

Write down the names of 20 people you personally know, who have more than \$75,000 equity in their property.

use other people's assets as security

If you purchase property... \$25,000 to \$50,000 below the valuation price, the property had growth of at least \$30,000 prior to settlement.

You sign all the necessary security guarantees.



And you paid an investor a 25% to 50% return on their money.

Would you easily find an investor?

You can secure properties using another investor's name and financial capability.

Offer the investor the property, or a profit share.

If you can't provide proof of an Irrevocable Finance Offer 3 months before settlement, the investor buys the property, keeps any Capital Gain, and pays you a 'finder's fee'.

can I pay retail and still obtain 100% finance

You can consider purchasing property at retail prices if you obtain a 12 to 24 month settlement and there is a minimum of 5% difference between your purchase price and other similar properties in the area.

The longer settlement time will give your property more opportunity to 'grow' in value.

You can also purchase unique, boutique properties (on short settlements) at retail if there are other properties that are similar, selling for a higher price in the area.

If properties in your area are rapidly increasing in value, achieving a wholesale purchase price becomes less important. Check the auction results for references.

Today's retail is tomorrows wholesale.

The value is dependant upon the buyer in the day.



Property Wraps

wraps (aka vendor finance/instalments sales contracts)



The way that most property is sold is on the basis of a 10% deposit with the balance due in about 60 days. In 60 days time the purchaser's solicitor will have completed the conveyancing process and the purchaser's lender will have approved finance, culminating with the purchaser finally settling at which time the property title will pass into his/her name.

However there is another way to sell property called vendors terms or an instalment sales contract. This is where instead of having the balance due in 60 days it is split into a series of periodic payments that the purchaser must repay over a specified period of time.

When the purchaser makes his/her final repayment the title transfers into his/her name.

Wrapping is a great low or no-money-down strategy that enables an investor to earn significant returns for a relatively small and manageable risk.

Wraps are legal everywhere in Australia except South Australia.

wraps (aka vendor finance/instalment sales contracts)

An example...

Robert is a property investor. He has sourced a property for \$80,000 in Orange, New South Wales.

He has also found Anne who was previously renting the property but is very interested in buying it from him

However Anne only has \$3,500 saved up and she would not qualify for normal bank finance which is why she was excited to learn about the possibility of vendor terms. She is eligible for the First Home Owner's Grant and can comfortably afford repayments of \$170 per week.

Robert offers his "vendor terms" on the basis that the sale price is \$100,000 and that interest would accrue on the repayments at the rate of his finance plus one and a half percent. The term would be twenty-five years although Anne can pay out the balance owing at any time.

Robert organises 90% finance on a variable interest rate of 6-9%.

The numbers would be something like this:

	<u>Robert</u>	<u>Anne</u>
Purchase price	\$80,000	\$100,000
Deposit (Note 1)	\$16,000	\$10,000
Closing costs (Note 2)	\$2,500	\$500
Cash needed	\$18,500	\$10,500
Loan	\$64,000	\$90,000
Interest rate	6.9%	8.4%
Weekly repayment	\$103.22	\$165.44

Note 1: Anne uses her FHOG of \$7,000 plus \$3,000 of her savings.

Note 2: Anne pays stamp duty when title transfers into her name. Initially she only needs to pay for a solicitor to review the contract and provide advice where needed.

Robert's annual return is: $((\$165.44 - \$103.22) \times 52) = \$3,235.44$.

Considering that Robert's nett cash in the deal is his deposit + closing costs (\$18,500) less the deposit he receives (\$10,500), his annual cash on cash return is 38.06%!

wraps (aka vendor finance/instalment sales contracts)

What are the critical success factors?

The critical success factors in a wrap are:

1. It's all about people

The essence of a wrap is that the investor becomes more like a financier and less like a traditional landlord.

In fact, all the property expenses in a wrap (such as rates, maintenance etc.) become the responsibility of the person accepting the vendor's terms (in the example above that would be Anne).

This really highlights the need to focus on the person rather than the property because if you have an unreliable purchaser then your cash-flow will suffer and your investing headaches will increase dramatically.

2. Build win-win outcomes

There are lots of people who don't qualify for traditional finance and will be interested in your wrap services. Your job is to pre-qualify your clients to ensure that you create win-win outcomes.

A large component in pre-qualifying a potential purchaser is to ensure that s/he can afford the repayments. If s/he can't meet the repayments then you won't be doing anyone, most of all yourself, any favors as the eviction process is stressful for all.

3. Play by the rules

The wrap laws in each State are slightly different which means that you are going to have to complete some research before launching into your wrapping career. Fortunately there are resources/ tools available today that will make this process easy.

In particular, some rules to be aware of are:

A. Privacy laws

You need to be careful about privacy laws when seeking information about potential wrap clients, particularly when doing a formal credit check.

B. Consumer credit laws

Whether wrapping falls under consumer credit laws is open to debate, but why risk being caught in an argument that's easily avoidable?

In most States it's a matter of procedure (which means form filling) to comply with the consumer protection laws. Be sure to complete your due diligence before launching it

lease and options

A lease option has the following two components:

1. A residential lease over a property. The rental charged under the lease is usually slightly above market rates due to the unusual nature of the transaction and unlike a normal residential lease, the tenant pays all repairs and outgoings;
2. A call option that allows (but does not compel) a tenant to purchase the property at a future date for an agreed future price. An initial fee is charged for this option which is then deducted from the purchase price if the option is taken up.



If the call option is exercised then a portion of each rental payment is applied against the purchase price.

If the option lapses then the initial fee is forfeited and all the payments received under the deal are treated as rent.

An example...

Philip secures a 3 bedroom property on a large block just outside of Proserpine (QLD) for \$80,000. The property was purchased vacant but previously rented for \$170 per week.

Philip ran a classified add to attract people who would be interested in the idea of a rent-to-buy program.

Lori and Justin answered the classified ad and said they'd like to own a home but didn't have the required deposit and as such could get not finance through a bank. They mentioned that they currently pay \$200 per week in rent,

After pre-qualifying them, Philip presented Lori and Justin with the following lease option' deal:

Rent of \$192.50 per week
A lease term of 5 x 5 years (25 years in total)
\$2,000 Option Fee
Option price of \$96,000

Philip's nett costs are:

Deposit (20%) \$16,000
Less Option Fee Received (\$2,000)
Plus Closing costs inc. legal fees \$5,000 Total \$19,000

We also need to consider Philip's cost of finance too. He would seek a 25-year loan for \$64,000 (80% of his purchase price) at lets say an initial five-year fixed interest rate of 6.4%. His principal and interest loan repayments would be \$5,128 per annum.

The rent that Philip receives is \$10,010 (\$192.50 52). His cash on cash return is:

$(\text{Annual Income} - \text{Loan Repayments}) / (\text{Deposit} + \text{Closing Costs} - \text{Option Fee Received}) = (\$10,010 - \$5,128) / (\$16,000 + \$5,000 - \$2,000)$
 $\$4,882 / \$19,000 = 25.69\%$

lease and options

What are the critical success factors?

A lease-option is a creative real estate strategy which can be quite complex as it contains many pitfalls for the inexperienced investor. Critical success factors include:

Pre-qualifying Leads

A lease-option offers hope of achieving the Great Australian Dream for people who would otherwise have little hope of ever owning a home. As such, demand will be great- possibly far higher than what you can cater for.

However, your business success will depend on sorting out quality clients from people, usually with a victim mentality, who feel that life owes them a few favors and will use and abuse your services.

The best way to handle the qualifying process is to use a standard form (like the due diligence resource) that every applicant must complete and submit.

You need to then pay careful attention to ensure that you:

Don't over commit out your client by placing them in a property that they can only just afford. Remember that they'll also have to pay for the rates, repairs etc. on top of the rent.

Check the details of their previous tenancy to see that they don't trash places and then move on. That is, you don't want to attract people that have been refused rental accommodation because they're on the bad tenant database.

Get an understanding of exactly who is going to be living in your property and what pets, friends, relatives, cars etc. they bring with them.

Your deal will be largely made or broken by the quality of the client that you attract remembering that your relationship may last up to 25 years!

The right property

You may not need a five star property, but it's wise to find a potential home that is structurally sound.

Let your client go for broke with the paintbrush (subject to you agreeing to the renovations), but as far as structural problems go expensive repairs may mean that your client will just up and leave rather than stay for the long-term.

Win-win deals

The numbers that were used in the example earlier are only one of an infinite number of ways that the deal could have been structured. We could have changed any of the variables to ensure that we manufactured a win-win outcome where we make money and your client gets to rent a house that they may one day call their home.

Know the laws!

It's critical that you know the laws in the area where you invest. For example, in some States you are not allowed to pass on the costs of rates etc. Instead you need to allow for these in the amount of rent that you charge. Be sure to get appropriate legal advice before jumping into the investing deep end.

You a Property Developer

the two main reasons why adult Australians do not invest in residential property

What are some of the fears of borrowing money?

- I'll be unable to service the mortgage due to illness, disability, death unemployment, business failure leaving my relatives with significant debts to manage.
- Fear of default and the bank will sell-up my property.
- Uncomfortable in general with having property related debt.
- Fear that interest rates will rise beyond my ability to cover the mortgage.
- Fear that I won't be able to find a tenant or the tenant will leave and I'll have to pay the rent, mortgage and property expenses.
- Fear that tenants will wreck my investment property and I'll have to payout huge repair bills and I'll have no rent during this time.

Procrastination

- Too lazy to learn the basics of how to get started in residential investment property i.e- regularly looking through property listings, attending auctions, dealing with agents, following the market, etc...
- Keep putting off the decision to make an investment plan to start investing in residential property
- Never start saving for a deposit for an investment property.
- Never have enough money for a deposit on an investment property because "we're just making ends meet".
- Too busy to devote the time required learning the basics of how to get started in residential property...to busy working for someone else instead of building your own wealth.
- Sticking to a budget to save for a deposit is too hard.
- 'Got to have it now' consumer debt lifestyle, new car, boat, clothes, entertainment, etc
- Affordable properties keep rising beyond the deposit I have saved
- No self-confidence and fearful of change and happy just to get by
- Always make excuses... like:
 - After the kids finish school
 - After I get a better job
 - After we pay off our home
 - After we've bought a new car
 - When the interest rate stabilise
 - When we find the right investment property

six levels of investment

The non-existent investor

No investments and no savings and are completely oblivious to the concept.

The pretend investor

Small amount into a low-risk, low-return investment such as a bank account.

The passive investor

Aware of the need to invest and has a small amount in a mutual fund or similar investment.

The intelligent investor

Clearly aware of the need to invest and actively involved in their own investment decisions.

The successful investor

The successful investor boasts well defined principles and rules of investing and is actively involved in the selection and management of their investments and strives to optimise performance whilst managing risk.

The Successful Investors are quite experienced and wealthy investors

The capitalist investor

As the ultimate and most successful of all investor levels, the capitalist investor is the person that creates the investment opportunities and gets other level investors to invest in them.

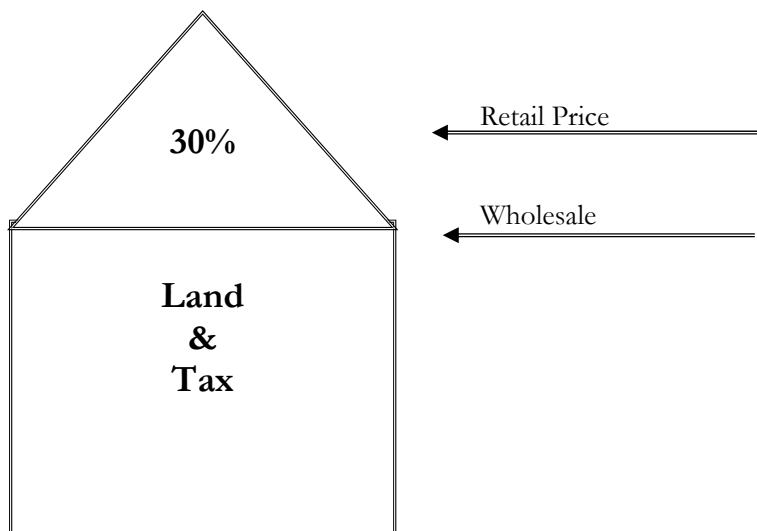
The Capitalist Investor sells shares as opposed to buys shares

the residential building industry

The Residential Building Industry offers many opportunities for those within the industry that are able to identify profitable opportunities and act quickly to secure development sites.

Returns of 30% are certainly not uncommon within the residential building industry.

And with most banks willing to finance up to 75% of the hard costs of the development project, most developers are able to achieve 100% returns on their money!



Buy and hold

The most 'assured' way of making money in property is to ...

“Buy property in growth areas and hold onto them for long-term appreciation”

Buy, renovate and hold

Variation of simple Buy & Hold where you can “add value to your property portfolio”

Buy and sell

For the more knowledgeable investor, property trading can offer greater 'quick cash' returns ... albeit at a greater level of risk.

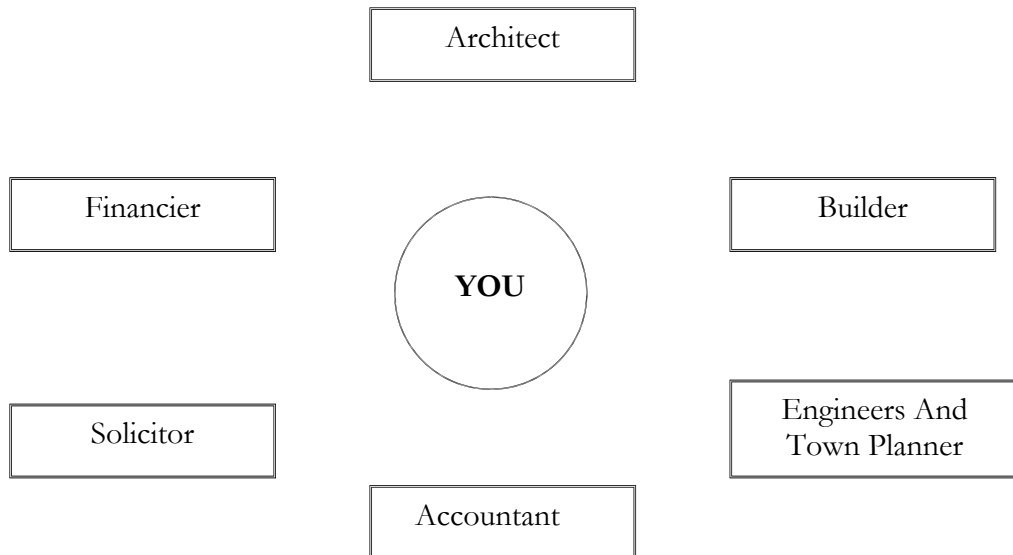


what is a property developer

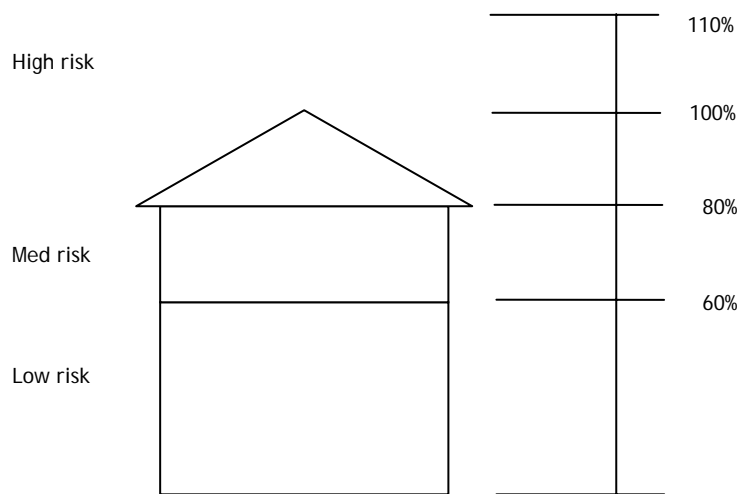
The Property Developer is the master mind **behind the** development project.

The developer manages the project ... organises the finances ... liaises with the contractors, markets the property ... and hires the builder.

The developer's mastermind group



gearing ratios DSR



There are four ways you can make money in property.

- Capital Growth
- Cash Flow
- Debt – Reduction
- The Developer

You must buy wholesale (under market)

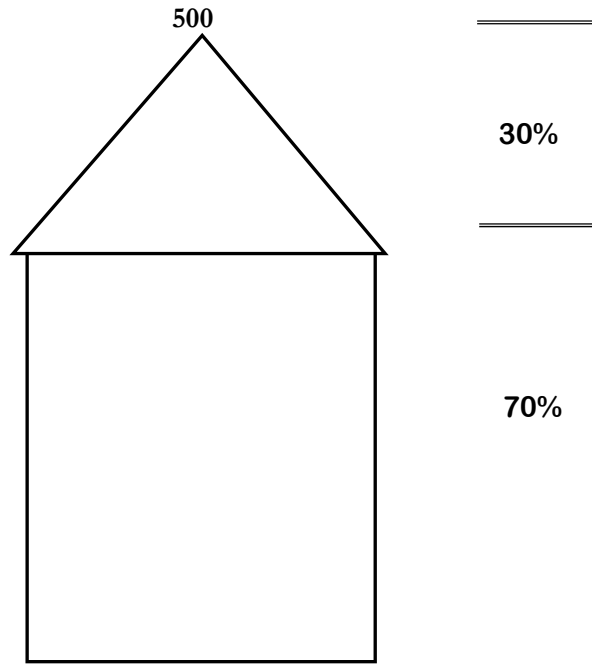
or

Must create a P.C.F situation

or

Become the developer

who gets what



Developers 20% = \$100,000.00

Agents Gets 3% = \$15,000.00

Marketing Costs = \$15,000.00

Holding Costs 4% = \$20,000.00

How do you raise the money to get started?

- Family & friends
- Investors
- Joint venture with site owner
- Finance institutions

Marketing your development

- YOU!
- Project marketers
- Local real estate agents

The development process

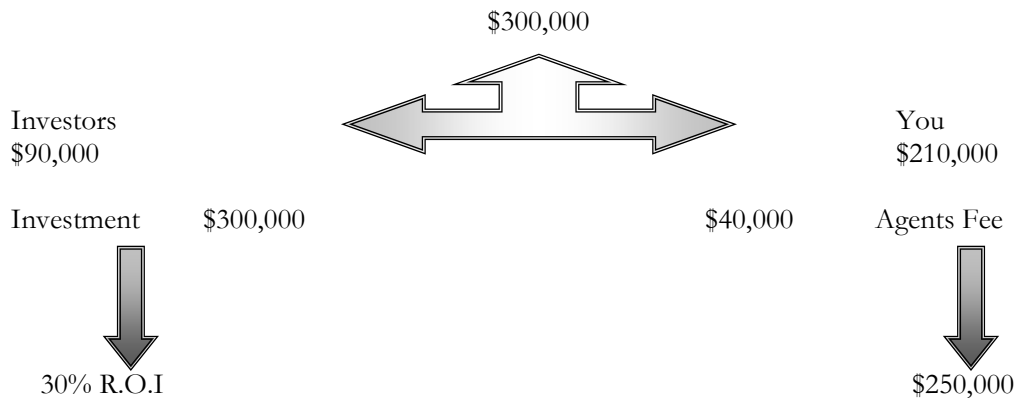
- Find DA approved site and assess profitability
- Purchase site & obtain BA or CC
- Appoint a builder
- Regular inspections, meetings & progress payments
- Engineer certificates & strata subdivision
- Settlement

Campbelltown villa's

Land (105 x 4)	\$420,000
Construction	\$540,000
Outgoings	\$40,000
Project cost	(\$1,000,000)
Sales proceeds	\$1,380,000
Gross margin	\$380,000
Bank interest	(\$40,000)
Agents selling fee	(\$40,000)
Nett realisable profit	\$300,000
R.O.I.	30%

Distribution of profits

Example 1



advertisement for on selling

Development site for sale

D.A approved for 2 duplexes in Campbelltown, ready to build, suit small builder or first time developer.
Excellent returns at just \$115,000 a site. 1300 766 637

Your profit

Sale price (\$115,000 x 4)	\$460,000.00
Original purchase	\$300,000.00
Settlement fees	\$15,000.00
Deposit bond	(\$1,000)
Nett realisable profit	\$146,000.00

Builders margin

Sale price (\$330,000 each x 4)	\$1,310,000.00
Construction cost (\$100 x 4)	(\$400,000)
Outgoings	(\$40,000)
Land (\$115,000 x 4)	(\$460,000)
Total cost	\$900,000.00
Builders profit	\$432,000.00

advertisement for on selling

The return on investment to the builder is dependant upon how he/she finds the project.

You can get a full selling price by giving the builder terms.

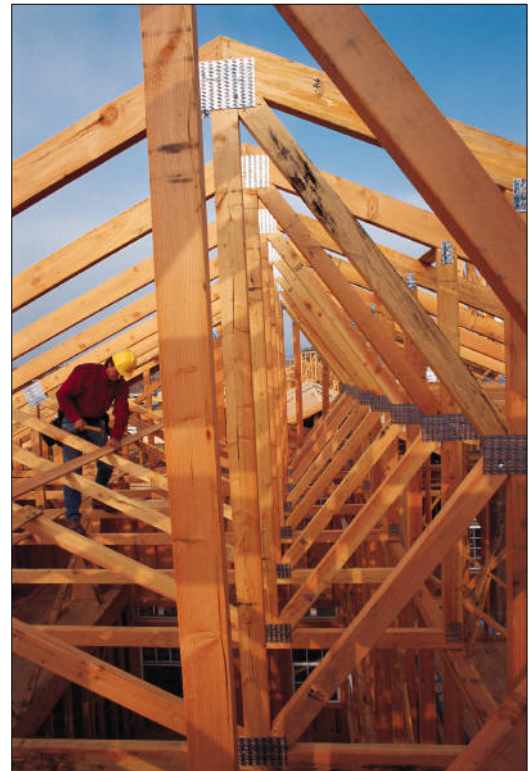
Five year option plan

Assumptions:

- You decide to work on just 1 project each year.
- Each project has an up-front cost of \$10,000.00 each
- Each project returns \$150,000.00

Example

Realised profit (\$150k x 5)	\$750,000.00
Upfront cost (\$10k x 5)	\$50,000.00
Nett realisable profit	\$700,000.00
Annual income	\$140,000.00
R.O.I	700% plus



- You can minimise tax by using a company or trust structure.
- You can negotiate to keep a property in each deal creating instant equity.
- You have dozens of options available to you when you are in the market.

wealth destiny

1. Increase you number of strategies.
2. Increase your average project profit.
3. Increase your frequency of projects.



Wealth destiny

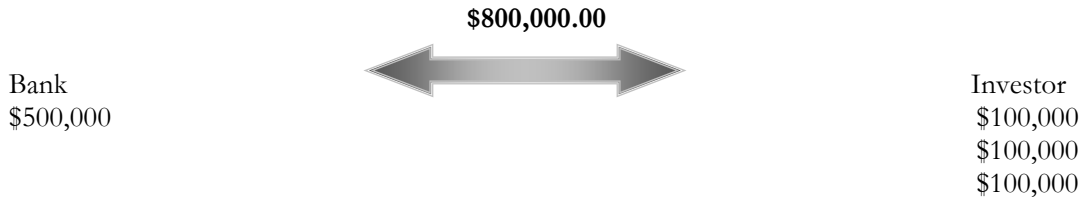
1	x	\$150,000	x	1
Wealth creation strategy		Average profit		Frequency of projects
Annual income =		\$150,000.00		

2	x	\$150,000	x	1
Wealth creation strategy		Average profit		Frequency of projects
Annual income =		\$300,000.00		

2	x	\$150,000	x	2
Wealth creation strategy		Average profit		Frequency of projects
Annual Income =		\$600,000.00		

Work at your own pace and personal risk factor, always get help and guidance.

development project

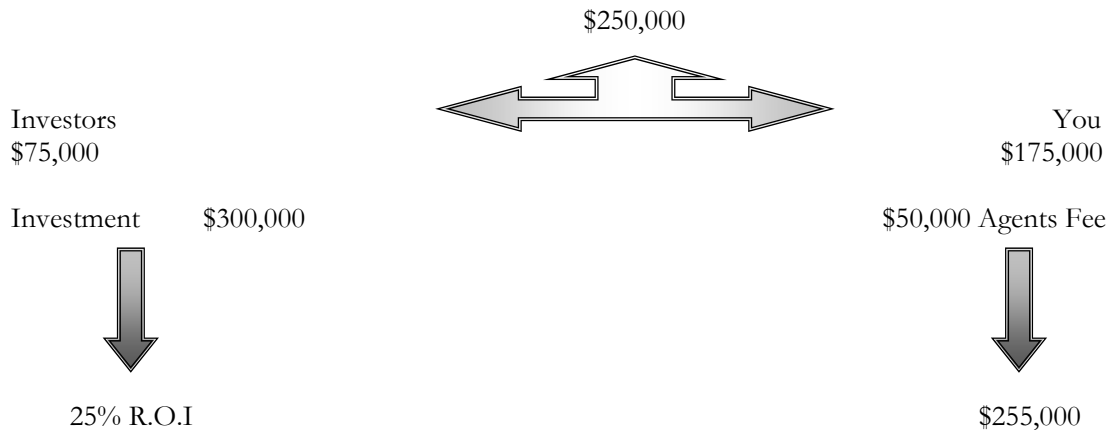


Your first development project

House and Land	\$500,000
Construction	\$220,000
Outgoings	\$50,000
Bank Interest	\$30,000
Total Project Cost	\$800,000
Sales proceeds (550x2)	\$1,100,000
Project costs	\$800,000
Gross margin	\$300,000
Agents selling fees	\$50,000
Nett realisable profit	\$250,000



development project

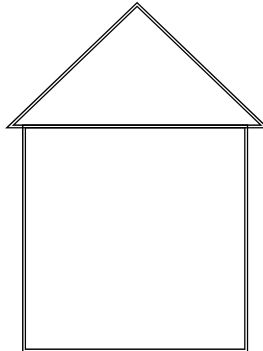


Keep one for yourself

V = 555,000

E = 225,000

D = 325,000



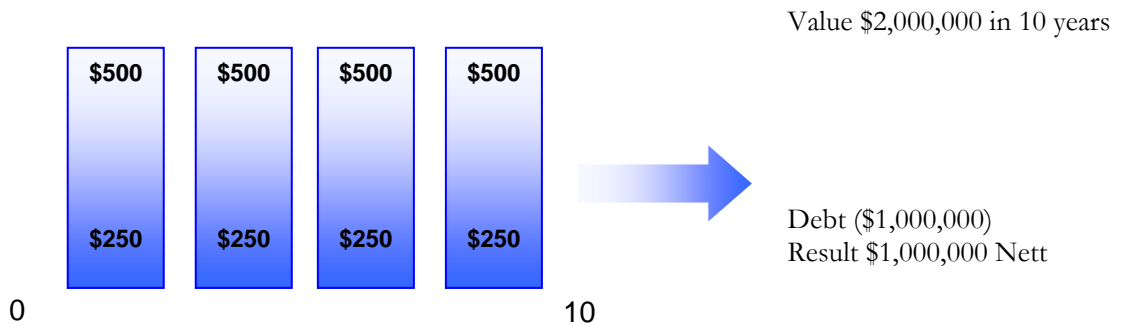
Instant Equity = \$225,000

quick ratio overview

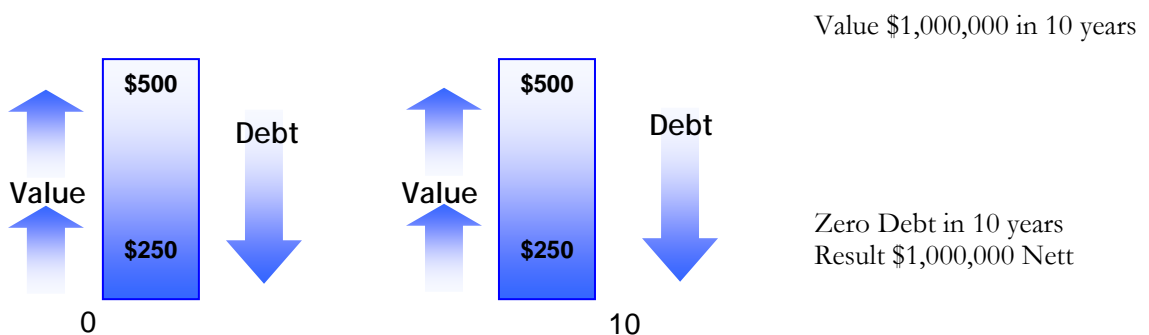
Rent today on \$550,000	=	\$400 per week	
Rental ratio to debt	=	1:1.23 (325D/400R)	
Equity to debt ratio	=	225/325	= 69%
Debt to value ratio	=	325/550	= 65%

\$1,000,000.00 in ten years

1. The 'buy and hold' strategy (4 cheap properties)



2. The 'buy and pay out your debt' strategy



the secret to unlimited wealth

The most successful property developers do not sell all the units / townhouses in their development, instead they keep the best ones for themselves!

- Tax free income and property
- Builds a passive income
- Provides equity



fundamental learning

Chapter: _____

Topic: _____

My number one lesson from this topic was:

Other lessons from this topic are:

These lessons are important to me because:

Here's my plan to start implementing these strategies

Signed: _____ Date: _____

INVESTMENT NETWORKING

FOR YOUR
BUSINESS AND YOU



some **work** others **network**

learn how to

drastically advance **your financial future**

through property and personal investment



Australian Property Investors Network (APIN)

www.apin.com.au

What does APIN offer ?

Seminars & Workshops

Why is that most people aren't taught how to be rich or happy? We are trained to do most things in our lives, in order to do them well enough to get by. We are taught how to read and write, how to cook, how to drive. We are taught how to do incredibly complex and challenging tasks like designing and building bridges over wide spaces, how to cure diseases, to fly airplanes, yet when it comes to creating personal wealth and happiness, we're left to find out for ourselves.

There's another, more subtle reason why most people don't achieve wealth and happiness. Deep down they don't believe that there is a choice to be made between being rich and being happy. They believe that somehow you can't have both, which is why in the end they don't get either.

The money that slips through your fingers could make you wealthy if spent more wisely.

Our free seminars and information evenings will provide you with leading edge valuable and up to date information. As a bonus you will be able to meet other like minded people who are either starting out on the road to success or are avid investors sharpening their investment knowledge. As a further advantage we encourage you to meet and freely talk with our alliance

partners. These hand picked people both male and female are leaders in their own right, they are also licensed, qualified and independent.

These evenings are fun and informative plus you will have access to lots of support material in the form of e-books, books and cd's on a wide range of topics. Come and learn the many strategies used by successful investors NO SECRETS just sensible plain English techniques that really work in any market at any time.



Education

It's true what they say "the difference between the rich and poor is what they know and what they do". Property is more than houses and unit investing. Do you know how to buy a property using an option, how about knowing all the ins and outs of being your own "DIY Developer"?

There are many ways to make money in real estate and with the correct tools and strategies you too can play with the best.

TIME x INTENSITY = SUCCESS.

You can't expect to get results in life if you have all the information but fail to apply the principles needed to succeed.

Our programs, e-book, books and home study kits will give you the ability to learn and gather what you need at your own pace in your own time. We encourage you to learn from our expert alliance partners all that you can, so when you are ready to act you will have the education to get into your first investment or do your own JV building renovation makeover.





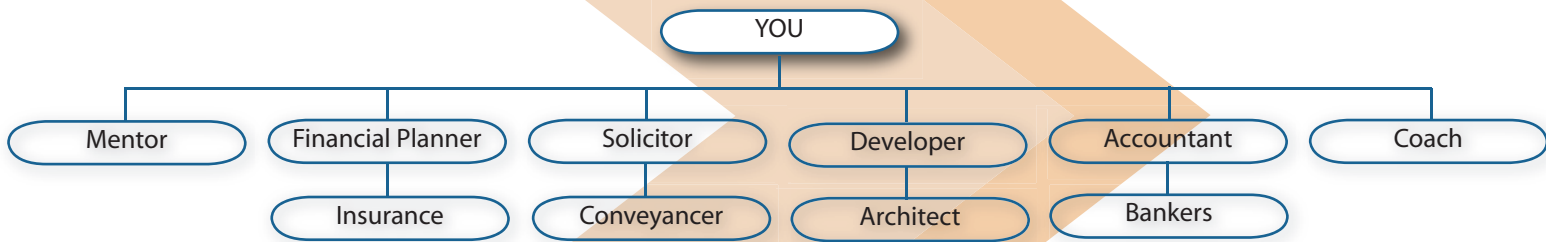
On going Support

Through APIN's Alliance Partners and Discussion Forums you can fortify your ideas and gain strength by exchanging information. Creating alliances generates business opportunities increasing your network and of course - your cashflow.

We have a mentoring service for those that are not quite ready to take those steps without guidance, extra information and some affirmation. Helping you to create a "safe" environment for your first steps.

Who is on your team?

When looking at people who are successful, you will notice they have a hand selected group of people to support and advise throughout the journey to success.



Property Opportunities

Through our Australia wide network we select opportunities that "stack up". We use an independent Research company (Guardian) who are licensed financial planners and real estate agents to use our pre selection due diligence program. From investment properties, development sites, future land subdivisions, building makeovers to even golf course resort projects.

APIN also align ourselves with a select group of builders and developers where we negotiate wholesale purchasing, saving you 10% off the retail price. These opportunities are not available to the public but only members of the APIN site. We can introduce you to the key people who are experts in their fields, saving you thousands of hours of frustration and heartache. Very shortly APIN will also be offering FREE property advertising on our site through resisearch.com who are one of our alliance companies. APIN is fast becoming the most exciting site in Australia.