Property Mastermind

ARMCHAIR DEVELOPER STRATEGIES

HOW TO MAKE BIG BUCK$ FROM PROPERTY DEVELOPMENT FROM THE COMFORT OF YOUR ARMCHAIR.

By Bob Andersen

Once you've read this book you will realise how much money you could make by investing in property development as an armchair developer.

If you are interested in potentially becoming involved, have funds available to invest and would like to be informed as opportunities arise, click below to find out more.

CLICK HERE

YOU CAN MAKE MONEY FROM PROPERTY DEVELOPMENT WITHOUT BEING A PROPERTY DEVELOPER

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DOES THE IDEA OF MAKING BIG $ WHILE YOU SLEEP FROM SOMEONE ELSE'S EFFORTS APPEAL TO YOU?

If you could potentially earn one to three times a full time wage working ZERO hours per week, would you want to know how?

Property investors these days are much more informed and far more astute than their counterparts of the early 2000's, and many are looking for 'an edge' to break them away from the pack and fast track their path to financial independence.

Until recently this area was the domain of property developers and the very rich. Traditionally, developers have been reluctant to divulge their techniques and secrets to the 'common man'. Their attitude has been, 'I've had to make mistakes and learn the hard way, so everyone else can do the same'.

The great news is the era of secrecy has ended and no longer do you have to be a multi-millionaire or full-time property development expert to share in the massive financial benefits that property development can deliver.

In fact you don't even have to be the developer to share in the great financial returns. You could be what I call an “Armchair Developer" where you invest in someone else's project and receive a share of the profits or a great interest return on funds invested.

Who Am I and Why You Should Listen

My name is Bob Andersen, and I am a member of a select group of developers with over one billion dollars' worth of projects under my belt. I currently have $60 million worth of projects in development nationally.

During my 38-year property development career I have held senior state and national management roles with some of Australia's largest property development companies.

I have been involved in structuring and managing joint ventures, capital raisings and syndicates totalling over $300 million dollars in value with ASX listed companies, state / territory governments, high net worth individuals, right down to ordinary mum and dad investors.

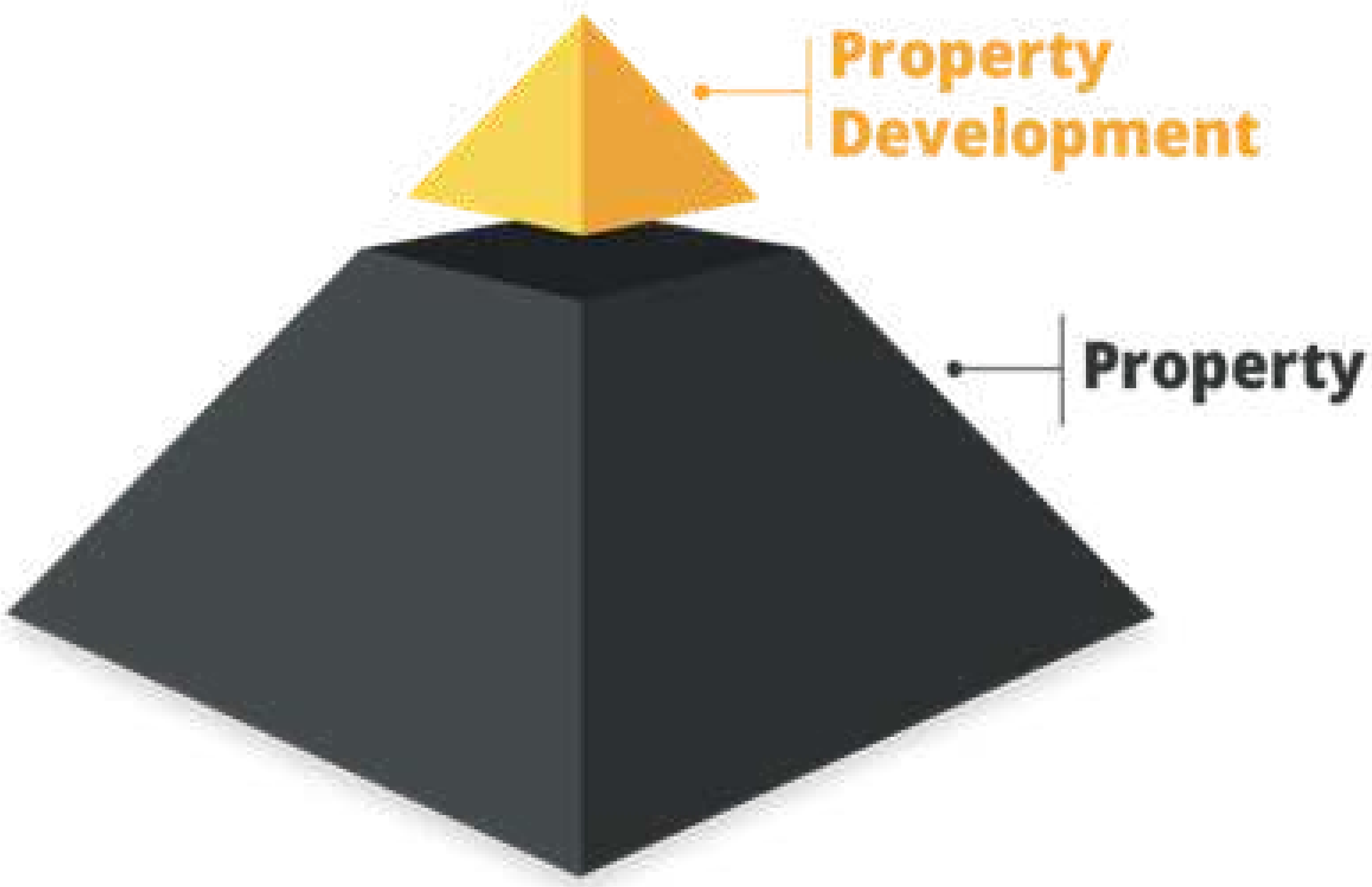
For the last 20 years I have run my own development company and I am also Australia's leading property development educator through my education business Property Mastermind.

I am the author of the book "Residential Real Estate Development – A Practical Guide For Beginners To Experts" and have appeared in other books "Secrets of Property Millionaires Exposed" and "The New Way to Make Money in Property – Fast".

I have also been a regular contributor to publications including Your Property Investment Magazine, the Australian Property Investor Magazine, and Success Magazine. I have also appeared on media interviews as a property development expert on Sky News Business, Fox News, 4BC Radio and ABC Radio.

> One of the greatest thrills I get these days is showing people how to make great chunks of money from property development as either an active developer or a passive armchair developer.

Property Development is the pinnacle of all property strategies.



When it comes to making money, property development stands head and shoulders over all other property strategies.

You won't find highly profitable public companies like Mirvac, Lend Lease or Australand doing flips or renos - no, they're into property development because that is where the money is.

How to Make Big Buck$ in Your Sleep as an Armchair Developer

When it comes to making money from Property Development you don't even have to be an active developer. You can enter via the back door as an investor by investing in someone else's development. This is referred to as being an 'armchair developer'.

Property Development

Active Developer | Armchair Developer

This can suit people who have access to capital but who don't wish to become a property developer or who are just too time poor or distracted to make it happen.

There are two types of Armchair Developer – what I call an Equity Partner and a Loan Partner.

Armchair Developer

Equity Partner | Loan Partner

Before I explain the difference, I need to explain the basic principle of development finance.

Total Costs

= Equity + Loan

In other words – you put in some money upfront (equity) and the financier lends you the rest (loan) to give you enough money to cover all the costs (total costs) to develop the project.

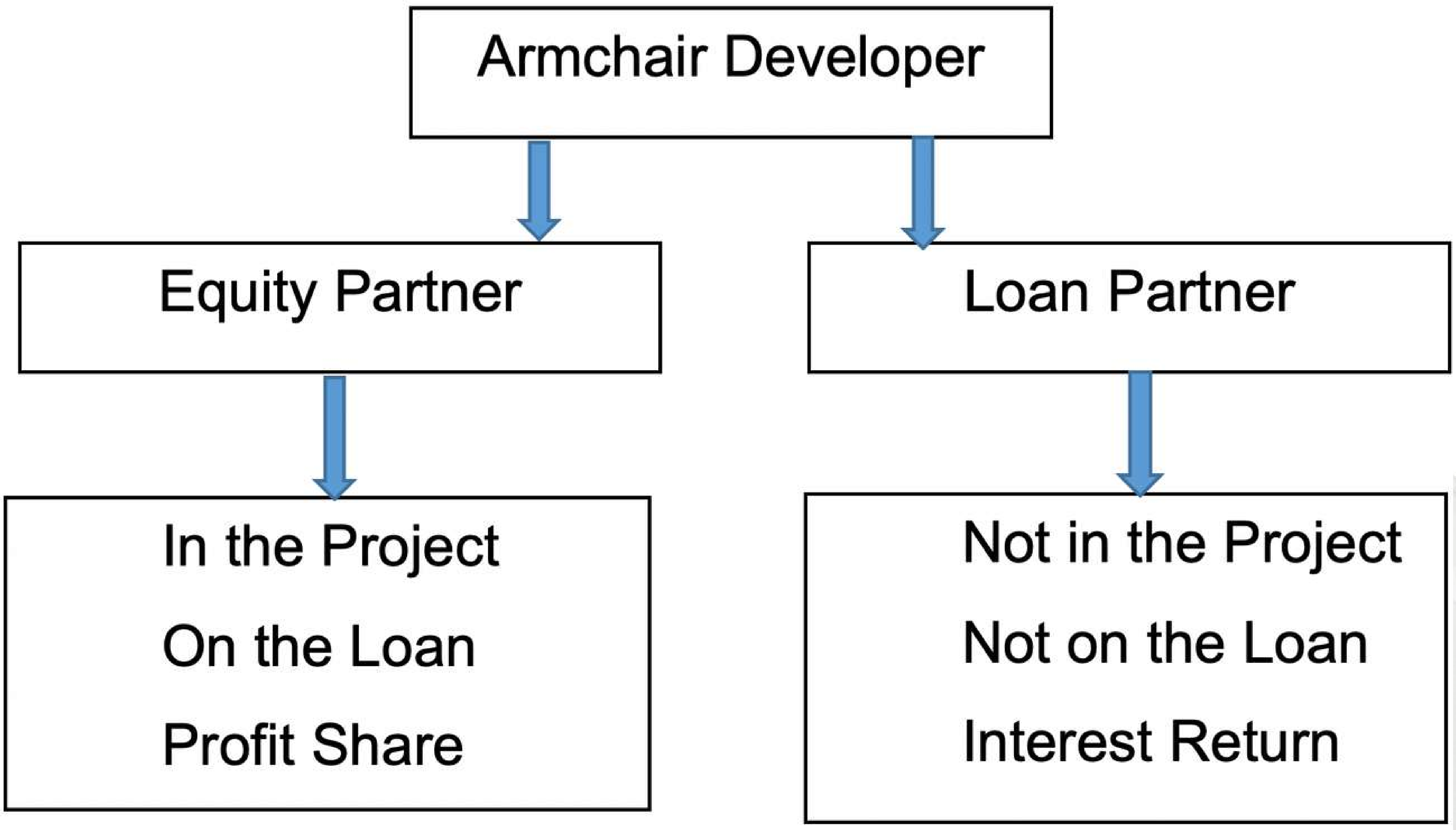
Often it is the role of the Armchair Developer to supply the required equity. That buys them a position in the development to reap a reward. They have a passive role by injecting capital and the developer has an active role by developing the project.

An Equity Partner supplies the required equity usually by way of cash. They are a part of the project (but not working) and may be on the land title and the development loan of the project financier. Their reward is usually by way of a percentage of the profit of the project.

A Loan Partner supplies the required equity usually by way of cash in the form of a loan to the developer. They are not on title and not on the loan of the project financier. They take no financial risk in the project. Their reward is usually by way of an interest rate on the funds loaned.

The attainment of true wealth requires the establishment of passive income streams by making your money work for you. Your money to become an equity partner or loan partner could come from savings, accessing equity in a property usually via a line of credit and in some cases accessing funds from a SMSF (Self Managed Superannuation Fund).

Armchair Developing



There are many variables in structuring these types of deals from the developer's perspective. Structure, capital amounts, interest rates, loan terms, security to name just a few.

As an Armchair Developer, conducting due diligence around an opportunity would entail not just the project and security but the experience and track record of the developer.

Being a highly experienced developer, I have a long track record of successful developments with both equity partners and loan partners. From time to time I offer the opportunity for investors with capital to take a position in certain projects I am developing or overseeing.

Let's dig deeper on the Armchair Developer strategy from the perspective of the Equity Partner and Loan Partner.

Equity Partner

STRUCTURE

An equity partner can enter into a project at various stages. An equity partner and a developer might decide to join forces at an early stage subject to locating a suitable project. In this case both parties would be in a position to form a structure prior to entering into a contract to purchase the site. It could be a company, trust , partnership of trusts or whatever structure best fits the required outcome of both parties.

There are taxation and legal issues to consider and advice from qualified accounting and legal professionals should be sought.

In some cases the equity partner might join the project after a contract is signed by the developer or even after the site has settled.

The ease of entry into the project by the equity partner would depend on the original structure and what thought had been given to the later entry of the equity partner.

It might be the case that the developer could settle on the site and gain a development approval but not have the required extra equity to gain development finance to complete the project. In that case the equity partner could enter the project when it has an approval. While this would offer a safer and faster path to the project for the equity partner, they would miss out on any uplift in value by gaining the approval.

TITLE

By title I am referring to ownership. Either or both parties could be on the title. The equity partner would usually be on title because it gives them the security of ownership. In most cases the developer would be, but it is not necessary.

LOAN

In most cases the shortfall between between the equity supplied by the equity partner and the total funds required to develop the project are supplied by borrowings from the project financier. This could be a bank or other financial institution.

Whoever is on title will be connected to the loan either as the borrower or a guarantor. The borrower is usually the developer and equity partner but in some cases, it could be either party.

SECURITY

Security is always a primary consideration when lending money. In most cases the equity partner is on title and ownership is a good form of security.

REWARD

The equity partner supplies equity to the project. The reward is usually profit share and therefore the equity partner does not receive interest on the equity. There are no absolutes in structuring these type of deals so it is possible to include interest on equity contributed.

Profit Share

PROFIT SHARE

At the end of the project as sales are settled the financier is paid first and the project loan is retired. The next settlements reimburse the equity partner for the equity contributed and the final settlements produce the profit which is shared in the agreed proportion.

DOCUMENTATION

Like any commercial arrangement there needs to be correct documentation. This could be in the form of a joint venture agreement which spells out the roles, obligations and rewards of both parties. In a situation where the developer is not on the title or the loan it could simply be a project management agreement.

MULTIPLES

Care needs to be taken in cases where there are multiple equity partners as in the case of multiple joint ventures or syndicates. This could could be in contradiction to the capital raising provisions of the Corporations Act. So as not to get on the wrong side of the ASIC (Australian Securities and Investments Commission) you should consult an experienced corporate lawyer.

Loan Partner

STRUCTURE

The Loan Partner lends the required equity to the developer so they can borrow the balance of funds required to complete the project from a financier. The loan partner is not part of the project and takes no financial risk in the outcome of the project.

TITLE

The Loan Partner is not on the title. They have no direct part in the project.

LOAN

The loan partner loans funds to the developer. The particulars of the loan are set out in the loan document. The loan partner is not on the loan between the developer and the financier.

SECURITY

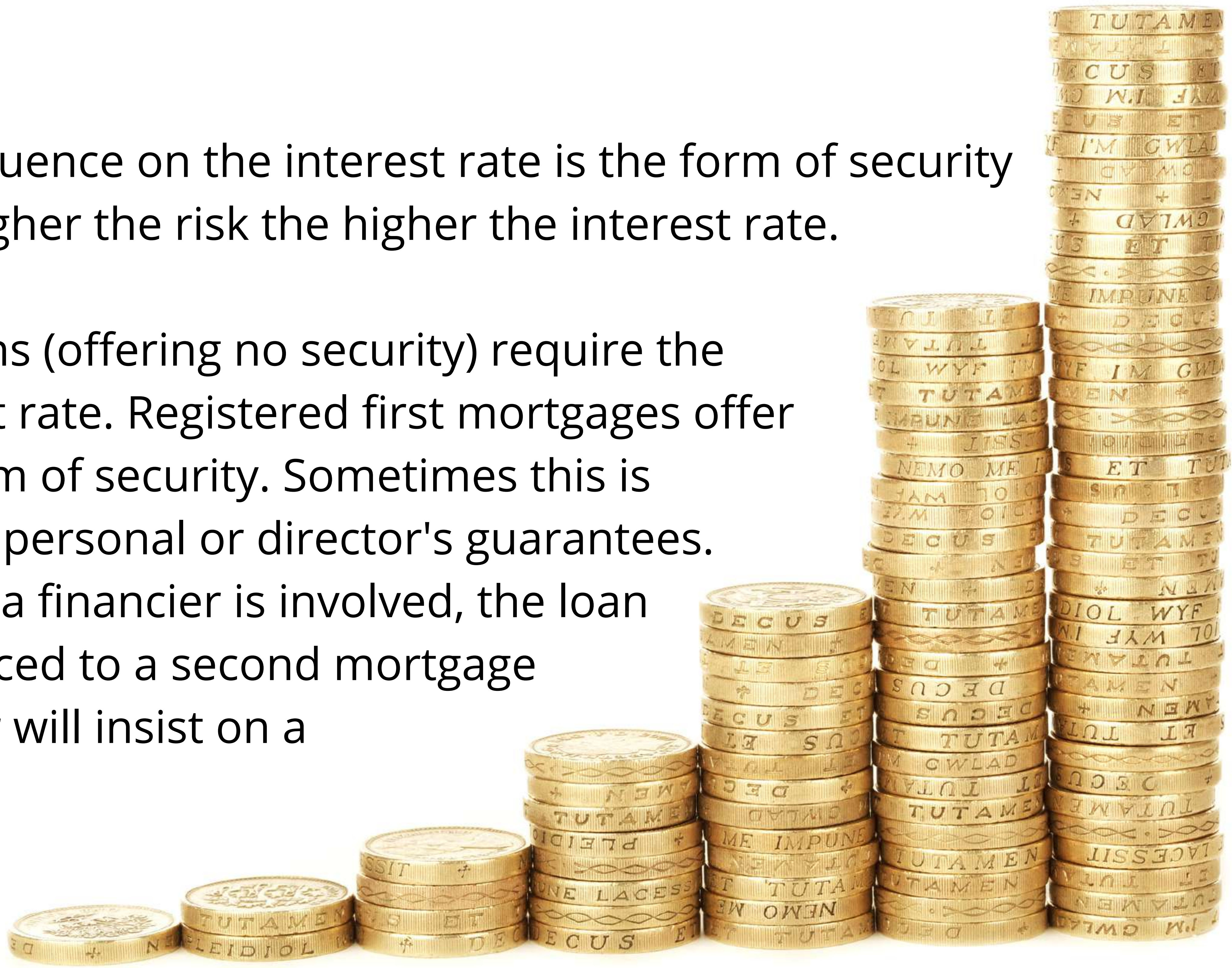
Loans can be secured or unsecured. Security can be offered in a number of ways. If the developer is not borrowing from a financier (which is rare) they can offer a registered first mortgage. Assuming there is a financier, a second mortgage might be possible as the financier would demand the first mortgage.

Various forms of security exist and any one or a combination can be used. They include first and second mortgages (registered or unregistered), caveats, personal and director's guarantees etc. The type of security offered will have a direct effect on the interest rate.

INTEREST

The biggest influence on the interest rate is the form of security offered. The higher the risk the higher the interest rate.

Unsecured loans (offering no security) require the highest interest rate. Registered first mortgages offer the highest form of security. Sometimes this is combined with personal or director's guarantees.
In cases where a financier is involved, the loan partner is reduced to a second mortgage as the financier will insist on a first mortgage.



Second mortgages offer less security. Their strength is effected by the loan to value (LVR) of the first mortgage.
For instance a second mortgage is stronger if the first mortgage was 60% LVR (loan to value ratio) compared to 80% LVR.

DOCUMENTATION

At the very least there would be a loan agreement . There could also be a mortgage document which could include guarantees. In some circumstances a caveat might be lodged on the title.

MULTIPLES

Care needs to be taken in cases where there are multiple loan partners as in the case of multiple joint ventures or syndicates.
This could be in contradiction to the capital raising provisions of the Corporations Act. So as not to get on the wrong side of the ASIC (Australian Security and Investments Commission) you should consult an experienced corporate lawyer. I undertake all of my capital raisings through a Licensed Intermediary.

LARGER PROJECTS - MULTIPLE INVESTORS

For larger projects with multiple investors, a company structure is often used in which investors hold preferential shares in the company.

The two common structures revolve around whether the development will be sold or held by the developer.

In a simple 'develop and sell' scenario the company is established. Investors purchase preferential shares in the company. There will be a minimum investment amount for each investor and a maximum subscription amount being the total capital raising.

The company purchases the land, develops the project and sells on completion. Investors redeem their shares to recover their investment and receive a dividend equal to their share of profits.

In cases where the developer wishes to hold the completed project, the company is established but in this case it loans the capital to the developer. A loan agreement and registered mortgage connect and secure the two parties.

These structures by nature are managed investment schemes and as such require compliance within the Corporations Act 2001. Legal advice would need to be sought from a lawyer specialising in such matters.

SUMMARY

We've covered a reasonable amount of ground in this eBook so let's take a moment and summarise what we've covered:

- Property Development is the pinnacle of all property strategies for making great chunks of money.
- You can make great profits by being an active or passive (armchair) developer.
- If you are time poor or have no interest in being a developer you can still make profits while you sleep.
- You can make money by becoming involved in a project as an equity partner and leave all the work to someone else.
- You can remain detached from the project and make money as a loan partner loaning money to the developer.
- You can supercharge your returns using your savings, tapping into your property equity or using your SMSF.

Where to from here?

If the idea of working smarter rather than working harder appeals to you, then you need to make your money work smarter for your benefit.

In this book I have explained two ways in which you can do this by becoming an armchair developer.

We regularly have opportunities to invest in projects I am developing myself or in projects I am over seeing.

If you are interested in potentially becoming involved, have funds available to invest and would like to be informed as opportunities arise, **click the button below.**

CLICK HERE

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