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Interview with Carly Crutfield June 2010

Steps to Success in Property Development

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Carly, at the age of 29 you are a self made multi-millionaire, a property developer and the CEO of your own corporation, CCORP. It begs the question, HOW??

Well I suppose the short answer would be, hard work. I never really sat down and planned to be all those things. A lot of it was written along the way and one thing led to another. From a young age I was very interested in property. I read a book of my dads when I was a teenager and this put me onto property investment. From there I kept learning about property through books, CDs, DVDs – you name it. I have not had any formal education on the subject of property, development or business. Most of what I know has come from getting out there and doing it, so there have been a few bumps and scrapes, and many mistakes. But that has all been part of the success.

A lot of people think property is a big boy's game, would you say the average Aussie could become a property developer?

Yeah absolutely. I'm an average Aussie! There really isn't anything special about me that made me a property developer other than the fact that I decided to do it and I didn't stop until I did it.

Property development can be a bit misunderstood and so it can be overwhelming. It doesn't necessarily mean building 400 units. It could be a simple subdivision of a block of land into two. Property development really sets the bench mark for the property industry. So if you can understand the basics of property development you can actually be a better property investor. I think that anyone looking to do anything in property should have a basic education of the property development industry. The more you know, the easier the property game is and the more chance you have of making money through it.

A lot of Aussies think that they need to save a deposit, buy a property and have a 30 year mortgage to make money on property. This just isn't the case! You don't even need to buy property to make money through property! And if you do want to buy a property, you don't need a deposit. There are a lot of smart strategies you can use when you know more about the property market and specifically, property development.



Are there any particular steps or guidelines that you follow when developing property?

Any investment strategy needs to have a systematic approach to make it more streamlined and easy to follow and development is the same. There are seven stages to property development. And if you understand each stage, you are on your way to becoming a property developer. The great thing about property development is the fact that it's a team game. You don't have to do it all yourself. You need to understand a bit about each stage, but you then hire qualified professionals to do each stage for you.

To be a property developer you need to be able to communicate and work with a team to bring it all together, but you don't need a builder's license (I don't have one) and you don't need an architects degree (I don't have one).

You **do** need to have an understanding of the following 7 stages:

1. Find a site

The search begins! You will need to go through newspapers, real estate websites, ask family members, ask your friends, keep an eye out on the way to work, and let people know that you are looking for a site. When looking for sites, don't think about what you can afford. Just look for sites that have a potential profit. If you end up finding a property that is going to make a profit, but you cant afford to buy it – you can refer it to a property developer and they will pay you a finders fee. So you can make money just by looking for property!

This is how I made my first money in property development. I got paid \$35,000 for finding a deal and referring it to a developer.

2. Site Analysis

Once you have found a potential site, you need to research the property and make sure you really know what you are dealing with. Look at what you could potentially build (ask council), look at how much you could then sell those new built properties for (ask local real estate agents), look at what else is selling in the area and whether there is an over or under supply of a particular type of property i.e. too many 2 bedroom apartments on the market, not enough houses available on the market. Research the environmental impacts: is there existing plumbing, electricity, trees, water, telecommunications?



A lot of this research can be done over the phone and on the net but nothing compares to getting out there and feeling the soil between your fingers so to speak.

3. Financial feasibility

Now its time to do the numbers. This is the crucial decider on whether to go ahead with a development or not. You will need a feasibility calculator to work out if this site is going to be profitable after all costs are taken into consideration. You need to aim for a minimum return of 20%. To download a free feasibility calculator that you can use, go to www.cdevelop.com.au.

To do your feasibility report you will need to know the costs of developing the land. This includes: purchase price, building costs, consultant costs (such as architects), and the interest costs if you are borrowing money. You then deduct this from the income you will get from developing and selling the properties. Whatever is left is your profit, subject to tax. This should be 20% of the total development cost. If it is, you could be onto a winner.

4. Financing

Once we have established that we will make a decent profit, we need to work out how we are going to finance the deal – how do we get the money to buy it!

Go to the banks first and see how much they will lend you. I suggest commercial finance as you can get capitalized interest payments. In a nutshell this means that instead of paying interest monthly, you can pay it back at the end of the development out of the profits. It makes it a lot easier to cope with the interest payments. You will need a commercial lender for a loan like this. They will charge a higher interest rate, 10-12% and they will lend anywhere from 40-70% of the value of the property you are looking to buy.

So how do you get the rest of the money? Well you either need to have a deposit, or you get creative! I quite often use none of my own money to buy property. Vendor finance is a great way around coming up with a deposit yourself. The vendor is the person selling the property, so vendor finance means that the person SELLING the property, gives you the money to BUY the property. I know it sounds nuts, but it is quite common. In fact it has been done since the 1800s in Australia.



You basically pay them less for the property upfront, you then develop the property and make your profit and then pay the remainder of what you owe to the vendor. Why would a vendor do this? Offer them more money than the property is worth and think of it as interest or opportunity cost, as long as it is factored into your feasibility.

An example would be, you find a property for sale for \$1 million. Offer to pay \$700,000 now and the remaining \$300,000 once you have developed and sold (perhaps 18 months later). But you also pay an additional \$100,000 for the opportunity, or as interest – whatever you want to call it.

Win for you, win for the vendor. I love vendor finance, and use it when it's feasible. It's pretty much the same as borrowing from the banks, but it can be a lot easier!

5. Plans approved

To develop property, you need to have plans approved from council. This is generally called a DEVELOPMENT APPLICATION (DA). And once this is approved, you have a development site. Often a property is worth more when it has a DA, as there is more potential for the property.

To do a DA you can hire an architect or a draftsman to help you. They will help you determine the best use for the site and then get the plans down and the application filed with council. It can take anywhere from 4 weeks to 12 months (and sometimes more) to get a DA approved, so make sure you factor in this time.

6. Construction

It's now time to make all those plans a reality! Your builder and his team get started on actually making the first changes to the site and carrying out the construction work as laid out in the approved plans. You do not need to be heavily involved, however you do need to ensure that you hire a reliable builder who has a good team.

Ask for referrals, check out his previous work and speak to people who have employed him previously so that you know what he is like to work for, i.e. is he punctual, does he meet deadlines, does he keep costs close to the original quotes, and what is the quality of his work. Look for a builder that has done similar projects. You don't want your project to be his learning curve!



7. Selling

This is the final stage of the development process, and this makes it possible for you to cash in and see a profit. However, the sales process should start when construction starts. This is called off-the plan selling and it helps you get sales early and have the security of knowing you have sold the properties. If you wait until the properties are built, you add extra time and this means extra interest payments and less profit.

You can use real estate agents or project marketers to sell your developments, or you can do it yourself. If it is your own development you will not need a license generally. But sometimes it is worth paying 3-5% of the property value to a real estate professional to do this stage for you.

Are there any other tips that you would give to people who want to become property developers?

I would say go for it! Property development is a very fun and fulfilling game and can be an incredible profit generator – it could change your life.

It is an incredible feeling to take an empty piece of land, or a few old broken down properties and transform them into a brand new development that adds to the local area and community.

I would say that you need to get educated more on the process of development if you are thinking of going down this line. Surround yourself with a professional team who can support you in your project, you won't be able to do it on your own.

And research, research, research! Have a very good understanding of the property you are looking to develop, talk to council about it, get an architects opinion, and do all the research and numbers BEFORE you buy the property.

And lastly, believe in yourself and don't give up! Ignore people who say you can't, and keep on going with your dream.



Carly Crutchfield is giving away a FREE DVD. In this DVD Carly will take you through the 7 stages in greater details and show you some real deals she has done. To get your copy call 02 9371 4799 or email info@ccorp.com.au. Or you can check out www.cdevelop.com.au/onedayworkshop if you would like to attend a full day workshop where Carly will personally show you some of her most successful strategies. Go to the website now to get your FREE ticket (while seats are still available).

Mark Taylor is the founder and Managing Director of www.KeysToSuccessClub.com

A driven entrepreneur with multiple business and property interests, Mark is also the regular property columnist for **Rex and Skywest Airlines**.

The property division of Keys To Success Club provides members with a property education platform, a property course, a property expert panel as well as access to high performing property deals.

"Emptiness is a symptom that you are not living creatively. You either have no goal that is important enough to you, or you are not using your talents and efforts in a striving toward an important goal."

Maxwell Maltz