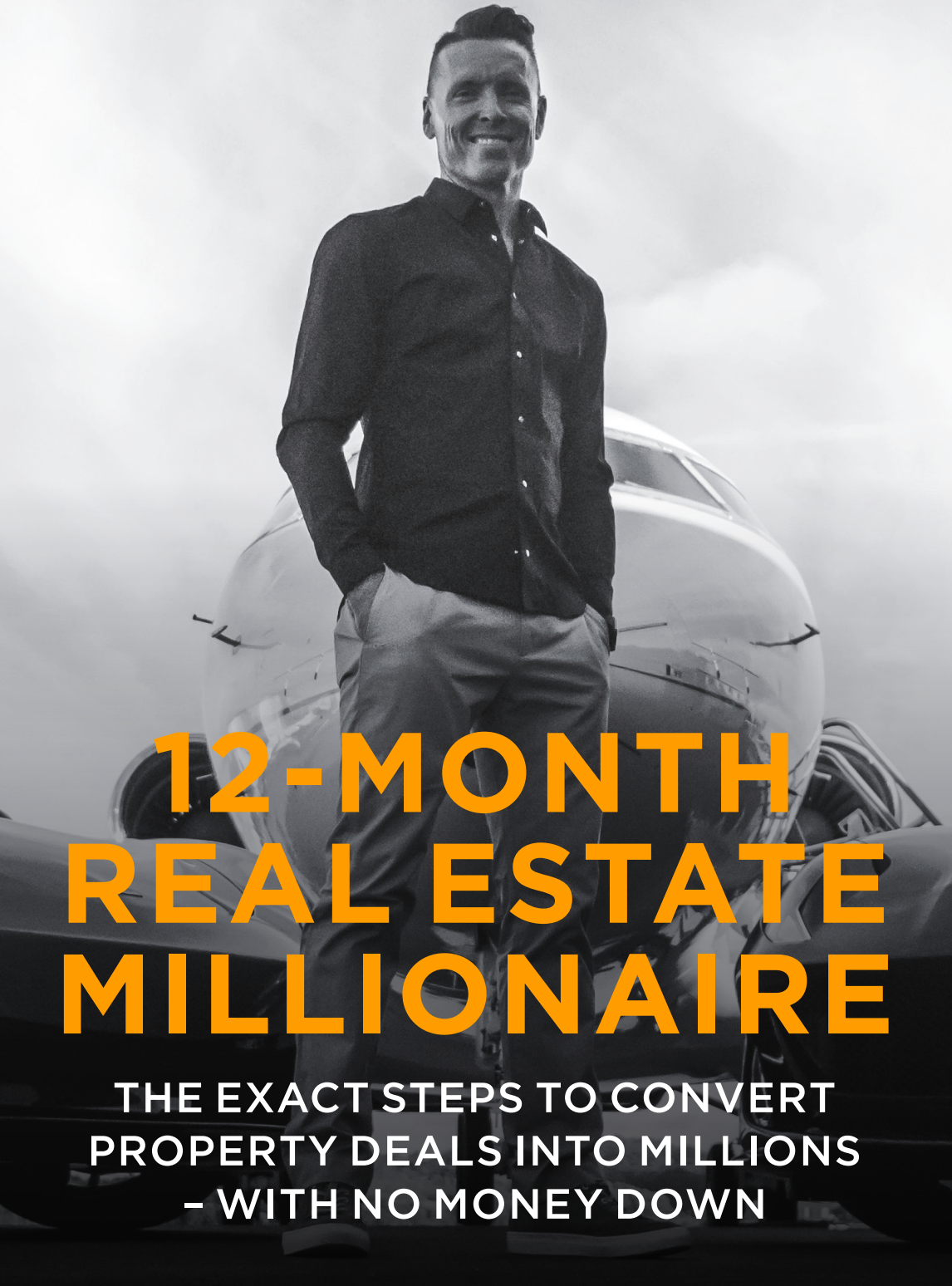
AUSTRALIA'S #1 EXPERT IN THIS PROPERTY STRATEGY

MARK ROLTON



12-MONTH REAL ESTATE MILLIONAIRE

THE EXACT STEPS TO CONVERT PROPERTY DEALS INTO MILLIONS – WITH NO MONEY DOWN

12-Month Real Estate Millionaire

BY MARK ROLTON

First Edition 2019

Published by Mark Rolton

PO Box 105 Elanora, QLD 4221

Email: admin@massland.com.au

Websites: https://www.massland.com.au

Disclaimer

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All figures and statistics recorded in the book are accurate at the time of publishing however may be subject to change.

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Forward

These days it seems that real estate is the the flavour of the month. Whenever you turn on the TV there is a never ending line up of documentaries and reality TV shows all designed to tap into our insatiable appetite for real estate. From quick makeovers to uncovering the history of the family home, and from rescuing an old place that is about to fall down to renovating the backyard, the viewing public can't seem to get enough.

And for good reason. You see, this all has to do with what we call the Great Australian Dream.

It all started back in the days after the end of the Second World War when reconstruction was the name of the game. The emphasis was on expanding the Australian economy and getting things back to normal as quickly as possible. This industrial boom provided much needed work for the hundreds of thousands of men who had retuned from the battlefields of the world, keen on progressing from where they had left off before joining up. The baby boom was well and truly underway and most people found they could now, for the first time, own a car. This, together with the dropping of rent control, gave rise to a housing boom the likes of which the nation had never experienced before.

Suburbs were being built at an astonishing rate further and further from the CBD than ever before and this, together with the inherent pioneering characteristic of the average Australian, led to the growing ambition to own their own homes.

Back then it was considered to be quite the thing to have a detached brick home on a quarter acre block with a Hills Hoist and a barbecue in the backyard.

Within 20 years of the end of the War, a staggering 70% of the population owned their own homes. This had become something to which every Australian aspired. They regarded it as their right to own their own little piece of paradise.
The family home had well and truly become entrenched into our way of life.

But the interesting thing is this: not only did owning your own home become a symbol of achievement and financial security, it also became associated with a very particular way of life. You see, once you had acquired your own home, you soon found yourself hankering after those other little status symbols that were very in vogue at the time: things such as the ubiquitous Victa lawnmower and the latest Holden or Ford motorcar. Then, as you progressed up the social ladder, you invariably found yourself taking your family away on holidays to the seaside, thinking about putting in a swimming pool and buying a second car.

Life in Australia just couldn't be better.

As we moved through the 1970's, 80's and rushed headlong towards the end of the tumultuous 20th Century, my impression is that the average Australian (if there can be such a person) had become so much more sophisticated financially. Our standard of living had become one of the highest in the developed world, but this was a two-edged sword.

There was a general realisation that most people would have to take responsibility for their own retirement and not rely on the government pension.

The unprecedented growth of the population, together with its skewing to the older side of the age spectrum, meant that government fiscal pressures would be hard to ignore. Smart people started looking for ways to shore up their own financial futures.

Australians had become more financially savvy. They started attending wealth creation seminars and got to understand the in's and out's of the two main avenues for investing: the stock market and the real estate market.

Things were beginning to move and the nation became wealthier. The mining boom brought with it unprecedented wealth, not only for the nation as a whole but for the average Australian in general. Owning a second, or a third, property as an investment was no longer the exception but the norm.

The game was well and truly on.

Financial advisors, commentators, coaches and mentors began pushing real estate as the only sure investment option for the long term. The inability of the housing construction industry to keep pace with demand for new houses saw upward pressure on house prices, which was exceedingly good news for investors, but not such good news for those who still had to buy their own home. Rents began climbing and renters began making serious moves to get into the property market before it was too late.

This was the general sentiment as we moved from the 20th into the 21st Century. The notion that investing in the real estate market was the wisest and surest thing anyone could do was well understood by now, even by those who knew they had missed the boat by leaving it too late.

By the time we entered the second decade of the 21st Century, many industry insiders and financial commentators started pointing out that just because many people identified themselves as landlords, it didn't mean they made money from their real estate investments. In fact, some went so far as to suggest that the majority of them would be lucky to break even at the end of the day.

The point is taken. I mean, with so many people now owning at least one investment property, why then aren't they feeling secure financially? If you think about it for a moment, you'll soon realise that with easy access to funding by tapping into the equity that was suddenly available as a result of the property boom, every man and his dog rushed headlong into the market and bought up just about everything they could. This further exasperated the supply and demand equation and pushed up prices even further.

However, things were about to take a turn for the worse. With the collapse of Lehman Brothers, the fourth largest investment bank in the US back in September 2008, the world suddenly came tumbling down for those who had bitten off more than they could chew. People who had borrowed more than they could really afford found themselves having to pump more funds into their loans. Those who couldn't had to sell at whatever price they could get. The property bubble had well and truly burst.

Real investors, those whose investments were based on solid fundamentals, found this sudden change of fortunes played right into their hands. The market had changed overnight into a buyer's market.

Talk on the street would have most people believe that the real estate market was to be avoided as an avenue for investment, at least until things had straightened themselves out and retuned to 'normal'. Once prices started to move, they said, then it would be time to jump back in and invest again.

How wrong they were.

All the so-called serious investors know that the time to buy is when prices are down, not up. That's when fortunes are made. It's the same with the stock market. Only a fool would clamour to buy shares when prices are at a peak, yet that's what so many do. The simple fact of the matter is this: you don't know what you don't know. If you knew better, you'd hang on to your holdings and add to them when prices are down,

and only sell when the market rises. That's logical, isn't it? Sure it is. But here's the thing: most people simple know no better; they follow like sheep and wonder why they get burned.

You simply can't afford to underestimate the value of knowledge. How do you acquire knowledge? Through education. I know some people say experience is another way, but to my way of thinking, this usually brings knowledge when it's too late to do anything about it. And it really doesn't matter in what field we are talking about, the same holds true. If you want to become an engineer or a doctor when you leave school, you have to go on to university and study. There's no getting away from it. It's quite accepted in society, isn't it? Why then should it be any different when it comes to the wonderful world of real estate? The more you know and understand about how the real estate industry works, about how the world of finance works and about human nature works, the better off you'll be as an investor. It's as simple as that.

The good news is that is doesn't take being a genius to succeed in real estate. You certainly don't need impressive academic qualifications or even a high intellect. All it takes is a will to succeed, an open mind, some diligence and the wish to learn from those who have already succeeded. There's nothing quite like 'on the job' training, the sort a good mentor will provide.

The thing that puts most people off following this route is usually that the barrier to entry into this market is high. Real estate doesn't come cheaply. But the good news is that, if you listen to the experts, you'll learn that there are ways around this. You'll discover what we call quick cashflow strategies that can be very effective in getting you up and running with little or no money at all.

I have found, too, that in order to make real headway, it's not necessary to follow the pack and do what the vast majority of investors are doing. That way is a sure way to end up with the same results they currently achieve, and those aren't very impressive at all.

I decided to find mentors from among the most successful in the game and learn from what they are doing. What I discovered is the subject of this book.

I trust you'll find reading this book just as stimulating as I have found writing it. If you take onboard what you are about to learn and then apply it to your own situation, you'll be sure to achieve results beyond your wildest dreams. I did.

So congratulations on buying this book, it may turn out to be the wisest thing you've ever done.

About the Author

By way of introduction, I became a millionaire by age 30. I am also an ironman tri-athlete, an adventure racer, a keynote speaker and an avid helicopter enthusiast. I mention this not to impress you but to impress upon you that the level of my success in life can be yours too. You see, before I became successful as a businessman, I was just an ordinary Aussie bloke.

My story really began when I was working as a builder and my company was embezzled. Finding myself in debt to the Australian Taxation Office to the tune of $420,000, I decided to do something about it and started washing windows to generate cashflow. Slow as the progress I was making towards paying off my debt might have been, I knew I was at least moving in the right direction.

Then one day, out of the blue, fate intervened. I received a phone call from a developer named Brian. Did I perhaps know anyone interested in buying six blocks of land that he had for sale, Brian asked? No I didn't, but I'd see what I could come up with, I replied. Then as if by divine intervention, I received a call from Stuart, a financial planner who happened to mention in passing that he was on the look out for six blocks of land. Quick to recognise the potential, I rang a solicitor to find out the best way I could structure a deal that would satisfy both parties. The result was an option deal that netted me $42,000.

Excited by what options could do for me, I then optioned a large site which was sold to a developer 33 days later. My profit from this one deal amounted to a cool $1,066,000 and saw the end of my indebtedness.

Since that moment, I have achieved amazing success. The result was the establishment of MassLand Group, an organisation that focuses on the development of budget housing. I saw an opening in the market for refreshing and innovative planning toward high density living and the need for price-sensitive housing solutions. The result was a highly-tuned skill for developing keystone projects with the emphasis on innovation rather than reduced quality.

Clearly understanding the risks faced by developing projects, I began to promote options as a profitable and viable way of creating wealth through real estate. I became a pioneer in the field of options.

I am now regarded as the Number One authority on property options in Australia. Due to my phenomenal success, I have developed a thriving educational arm to my business that teaches others how to capitalise on the use of options to generate cashflow.

I am known as a charismatic speaker who is truly passionate about property. I explain options in easily digestible pieces that can be understood by both novices and sophisticated investors alike.

I regard myself as dynamic, determined and down to earth. My revolutionary view of real estate has seen Massland Group grow into a cutting edge organisation with an impressive property and development portfolio. My success in this field has resulted in me rubbing shoulders with the likes of Robert Kiyosaki, Donald Trump and Richard Branson, and for that I feel blessed.

Through this book I would like to ignite a passion for doing real estate the option way. I wish you all the success in the world and know that, through diligence, perseverance and hard work, you too can achieve what I have.

About this Book

One thing I've learnt in life is that unless you actually roll up your sleeves and do something, nothing will happen. If you want to change your life or the situation you find yourself in, you have to actually DO something about it.

But there is another important thing I learnt and it's this: A while ago I had just bought a beach house and had $6 million in the bank yet I wasn't happy. That's when I sought the help of Scott Harris, a business coach who has since become a great friend. Scott gave me some great insights into the human condition and taught me that it really is alright to seek advice, ask for help and receive encouragement. He allowed me to understand that all I had to do was to push my ego to one side, acknowledge that I needed help and approach things with an open mind.

I learnt then that understanding that I didn't know it all and could do with a healthy dose of humility would stand me in good stead. You see, I am a builder by trade and used to doing things for myself. But that alone didn't qualify me to earn a living from investing in the real estate market. Sure I understood how to build a house or unit, but I sure as hell didn't know too much about the world of investing.

I wasn't happy.

I learnt back then that money itself doesn't bring happiness. For me, that would take a whole lot more of the things money can't buy. Things like helping hundreds of people to achieve financial freedom for themselves and their families. Things like turning an idea into a residential or commercial development that would benefit the local community for decades to come. Things like being able to bring joy and hope to disadvantaged communities in far flung corners of the world.

Understand that money on its own can't give you these things. Sure it makes them possible, but only if you actually DO something with it. It'll achieve nothing at all sitting in a bank account, except to earn some interest.

I learnt that I had to do something to improve my situation instead of sitting back, complaining or hoping that somehow things would miraculously improve.

Just by buying this book and beginning to read it tells me that you are hungry for change and capable of making important decisions for yourself. So congratulations, I know you won't be disappointed.

By the time you reach the end of this book, you will understand the most powerful tools available to the most successful real estate investors in the world. You'll have a good understanding of the strategies used by the very best in the game; people like Donald Trump and Robert Kiyosaki to mention but a few.

Another thing I have learnt is that I am not a great theorist, but rather a great realist. That is why I aim at 'telling it like it is' in this book. By writing this book I want to show you how to make more money. It's as simple as that.

By reading this book you'll learn, just as I did, that being truly affluent is not something reserved for people like movie stars and professional athletes; it's for anyone who has taken the decision to be wealthy.

Understand this: wealth isn't about how much money you make; it's about how much you keep. If you spend more than you earn, all you'll achieve is going broke, unless you change your ways real soon.

By the time you reach the end of this book, you'll understand that all the best purchasing techniques and the most effective investment strategies on their own won't work unless you know WHY you are investing in real estate. You need to have a very clear understanding

of what your motivation is. I can show you the HOW, but that's not the really important part. You need to figure out the WHY first, before you dive in and begin developing strategies to create wealth.

When it comes to wealth, thinking matters.

This book will show you how to take the amount of money you earn each month and make more money through real estate, often without ever actually outlaying or risking any of it. But that's not all you'll learn. This book will show you how to generate cashflow through real estate, which is, of course, the name of the game.

By the time you reach the end of this book you'll understand that your wealth is measured by your holdings. You'll realise that because the value of cash diminishes as time goes by, the secret to amassing wealth lies in your ability to acquire and hold as much real estate as possible. You'll learn, just as I did, the true value of real estate assets.

I bought my first investment property when I was just 16. Can you imaging my parents' reaction when I went to them and explained that I needed them to act as guarantee for the loan! I still don't know if they were horrified or quietly impressed at the time, but I now realise it was highly unusual to say the least. I knew absolutely nothing at all about real estate, let alone investing. So if that's how you feel right now, don't worry; this book will give you the formula. If you can buy just two properties a year for ten years, then begin selling the ten you owned the longest, you'll end up with a significant portfolio that should give you financial independence for life.

By reading this book you'll get to appreciate that real estate is tied to inflation, and as such, if you don't own at least one property, you're as good as dead in the water.

This book is about understanding HOW serious investors make serious money from real estate. It's about telling it like it is in easy-to-understand terms. It's about inspiring you to change the way you think.

It's about challenging you to be the best you that you can be.

This book is not intended to be a literary masterpiece. It is intended to be a no- holes-barred approach to the wonderful world of real estate investing.

This book is about changing your views about money and success. By the time you reach the end, you'll no longer be afraid of BIG numbers – very big numbers. It's about how to become wealthy through investing in real estate in as little as five to eight months.

So let's move on, there's no time to waste

Chapter 1: It All Starts in Your Mind

They say the mind is a wonderful thing. I couldn't agree more. You see, take away a person's mind and what are you left with? Not a lot.

The mind, and what goes on in it, has been the subject of vigorous debate for probably as long as there have been intelligent people on this earth. The famous French philosopher René Descartes (1596 – 1650) summed it all up brilliantly with this quote, "I think, therefore I am."

When you think about it, if you don't, or can't, think, then you really don't exist. If you can't think, how would you even be able to know that you did, or didn't, exist? This is a fascinating question that leads on to another proposition that is directly relative to us as property investors. It is this: the quality of your existence is directly related to HOW you think. The level of your thinking will influence the level of your existence.

Think about this for a few moments. What do you spend most of your time thinking about? What kinds of thoughts do you fill your mind with?

YOU ARE WHAT YOU THINK

If you spend your time thinking that you are poor, guess what? You will be poor.

If you think that you aren't destined to be wealthy and have to work really hard for every dollar you have, guess what? You will.

Our thoughts really do have a great influence on your lives. You've no doubt hear about the Law of Attraction. Well, in essence this Law says that you'll get more of what you spend your time thinking about. The way it works is this: if you spend most of your time thinking that you are successful at work, your mind will begin to accept this as a fact and you'll start acting as if you are already successful. This is because the brain has no real way of distinguishing between what is real

and what isn't, other than by using its powers of reason. But if you continually think that you are successful, then your brain will find it hard to reason otherwise unless it comes up with more compelling arguments to the contrary. It will then start looking for evidence to back up what it's being told. If it finds any, this will reinforce its belief that you really are successful.

But here's the interesting thing: the more you tell yourself that you are successful, the more you'll behave as if you are. You will carry yourself like successful people do, you'll dress like they do, you'll talk like they do and you'll start hanging out where they do. Others will notice and assume you are successful and begin treating you as such. Opportunities will start coming your way. Those who are already successful usually don't associate or do business with those who aren't. People do tend to stick together with like-minded people. Every noticed that?

I realised long ago that if I wanted to become successful -- really successful -- then the place to start was with my mind.

It's the same with creating wealth.

WHAT QUESTIONS ARE YOU ASKING?

A wise man once said to me, "If you want a better answer, ask a better question." But there's the thing: most people go wrong because they ask the wrong questions. The main question on their minds is, 'What do I have to do to become rich?' They should be asking themselves instead, 'Who do I have to become to be rich?' The next logical question they need to ask is, 'Why?'

Understand this: when a sports team does badly it's never because the players have forgotten the strategy, the rules or how to play the game, it's always because of what's going on in their heads and hearts.

Wealth is something that happens in the mind. Money is all about how you feel. If you can get your head around these two important statements, then you'll find moving on from here is going to be a whole lot easier.

If you are going to close the gap between where you are now and where you want to be in the future, you are going to need clarity and a clear vision. The way to achieving these is through asking great questions.

To me, this is of vital importance, especially considering that we are all going to have to handle our financial affairs for the rest of our lives. Like it or not, money is going to feature heavily in our affairs on a daily basis, so why shouldn't we develop an aptitude for it?

A NEW APPROACH TO WEALTH

Developing wealth through investing in real estate isn't new, millions of people have been doing so for a very long time. But what is new, at least to the masses, is the approach real estate moguls and tycoons take when it comes to amassing their fortunes. They have a rather

unique understanding of the property market and are able to leverage it to provide maximum benefit without risking much of their own capital.

The real difference between them and the average investor is the way they view real estate. They understand the value of CONTROL as opposed to OWNERSHIP. You see, when approaching real estate with the view of controlling an asset rather than paying for it, it opens up unlimited access to wealth.

Can you see how, as a traditional investor, you are limited by the amount of of money you have available to put down as a deposit as well as your ability to service loans? Can you also see that there is actually no limit to how much real estate you can control?

If this way of thinking is new to you, don't worry. Read on, you're about to discover some of the most powerful real estate secrets the world has know. But it isn't new. The world's most famous investors have been using it for decades.

Can you see how, through controlling real estate assets and creating a sizeable portfolio, a whole new horizon will open for you? Control works on an entirely different level to the more traditional ownership model. For starters, what you need

when seeking to control a real estate asset is TIME. With time, you can set about adding value to an asset through, for example, development. The strength of this approach lies in the fact that you can afford to offer a lot more than market value for any property as long as you get time in exchange.

Can you see how this represents a far greater opportunity to the investor than investing through the traditional model does?

Empires have been created by an innate ability to recognise the time represents more value than money. With time, the real estate mogul

is able to add value to the asset under his control before realising the profits when the time is right.

The way the real estate mogul approaches the property market is totally different from that of the traditional investor. The mogul continually questions how to create even greater value. The mogul understands that the key to wealth is the questioning process. The better the question, the better the result, and the profit, is bound to be.

The mogul's approach is to understand that anything is possible, provided it is solution-oriented. The sorts of questions they ask are:
How do I maximise this transaction?
How do I offer more value to the owner in exchange for time?
How do I meet the Council's requirements and exceed their expectations through what I offer?
How can I create an even stronger yield from this deal?

An interesting benefit that comes from asking great questions is the ability to solve problems. And this, of course, is one of the great characteristics of successful entrepreneurs. By continually seeking answers to probing or profound questions, they are able to foresee solutions to unexpected problems or new challenges. This gives them the ability to proceed with their ambitions, meet the obstacles and challenges that come before them and achieve their goals. This is what makes them unique.

"I made half of my annual wage in a month."

I was very sceptical in the beginning. I was like every person who watches what Mark puts on the Internet.

But, once you want to get to the next level, it means you need to spend money to educate yourself. After taking the course, I made $40K in a month, which was half of my wage.

My next goal was to make $100K, which I did. Then, I wanted to make $100K a month. That took me about five or six months.

Cameron, Massland Student

Like Cameron, you too can start making money without having a deposit, a bank loan or experience.

You are invited to join us on an amazing journey, with a goal in mind to equip you with the tools and knowledge you need to achieve amazing wealth and success.

As a student of Mark Rolton you can:
• Use Massland's Money to Fund Deals
• Get all the Support you need
• Tap into Massland's experience for the Developmental Approval
• Get Mark's input throughout the Option process
• Massland Team Member joins you at the Negotiation table
• Massland's Intellectual Property in Option Documents
• Massland 100% Responsible for Risk

For more go to: webcasts.knowledgesource.com.au/register/mark

Chapter 2: What is Money?

Do you buy into the commonly held beliefs that money is evil, that money is dirty and that money corrupts? If you do, then it comes as no surprise to me that you find it so hard to make headway financially. You see, money at it's most basic level is just something that we have created. It has no life of its own. It has no magical powers. It has no qualities other than the stuff it is made of.

Think of money as a tool that provides you with the ability to choose what you want.

Money gives you choice. The more of it you have, the greater the level of choice you will have to do the things you want to do, when you want to do them.

Money is meant to exchange hands continually too. Money, as the old saying goes, makes the world go round. It does so by being in circulation. Sitting still in a shoe box, or bank account for that matter, it's of no use to anyone. Take during the Global Financial Crisis of 2008, for instance. People were frightened so much that they stopped spending. So too did businesses. What happened? Things got worse. Consumer confidence plummeted, businesses stopped hiring and whole economies ground to a standstill. Yet people actually got richer. Their bank accounts were bulging and their levels of debt were at extremely low levels. This may have seemed dead right as far as those individuals were concerned, but the downward economic spiral inevitably caught up with them. Government's knew that the way out of this mess was to stimulate consumer spending and so introduced various stimulus packages.

The message here is that money is only of value (or use) if it is spent. And if it is spent, it has to be replenished all over again, doesn't it?
The question now becomes how to create more money for yourself.

Those who don't have much of it are the one's who hold onto the belief that you have to work hard for your money. What rubbish. That may have been true a hundred years ago but the world has moved on since then.

Those who have loads of money know that creating money really is a skill. Not only that, they know that it is a skill that can be learned.

I, like many others, believe that property is the best way to make money. For me it's a no-brainer but sadly it doesn't appear to be so for the vast majority of people. When I look around me I see that most people seem to spend their entire lives looking for easier ways of making money. I see a world affected by the lack of money. I also notice that, strange as it may seem, money doesn't seem to affect most people, who appear quite content to go about their daily lives without focusing on money as such. Opportunities pass them by all the time and they don't even notice. Yet their lives are very definitely held back by this thing we call money.

Have you ever noticed that people tell lies about money all the time? They lie about how well they are doing, about how much they earn and about how much are worth. I believe they lie about money simply because they let their egos get in the way. But here's the thing: life isn't a dress rehearsal. It's for real. And it's the only one we have, so why not make the most of it? The sad reality is that most people simply aren't; statistics tell us that at age 65, 95% of all Australians will be dependant on someone else, and only 1% will be financially secure.

So what does money mean to you right now? Think about this for a moment. Has it caused you pain in the past? How many hours a day have you had to work just to keep your head above water? How many weekends have you had to sacrifice? How has money impacted on your relationships?
Understand this: you are were you are right now and not at the next level because there's some stuff going on in your head. It's time you

begin to explore your ideas about money. What emotions does the word evoke? Are there any negative or limiting beliefs that you have about it? If there are, then chances are this is what's holding you back. You need to be brutally honest with yourself about money.

Think about what a huge difference an extra $1,000 a month will make to your life. In fact, it will probably change it drastically. It will, for instance, allow you to hire a full time housekeeper. What difference would that make to you and your family?

Let your imagine run wild now for a moment. Build a vision about your ideal life. What would make you say that is a life worth living? Be specific. Know the numbers. Get excited. Get motivated to make it happen.

Having just read the way I see it is sure to challenge some of your beliefs. If it has, great. You see, one thing's for sure: you are where you are today financially precisely due to your views of money. If you want to change this and become wealthier, chances are you are going to first have to work on changing your attitude towards money.

A CASE FOR KARMA?

Karma is a fashionable word these days but do you know what it actually means? Do you understand its implications for you as a real estate investor?

The word karma is ancient sandscrit and it was used in Indian religions to refer to actions that cause the entire cycle of cause and effect. In Western society the concept is also well established. You have no doubt heard the saying what goes around comes around. You've probably also heard live by the sword, die by the sword. What about reap what you sow? These are all very old and well-embedded sayings in our language and cultural system, aren't they? We all know them and, perhaps more importantly, understand what they mean.

They all have to do with the basic Law of Cause and Effect. Perhaps the Dalai Lama sums it up best when he said happiness is not something ready made. It comes from your actions.

Let's take a closer look at this concept now to discover a little more about it and how it affects us as real estate investors.

The Law of Cause and Effect tells us that if we exert some form of pressure on an object, it will move as long as the force is greater than that which causes it to remain at rest. Overcome the effects of gravity, friction, etc and the object will begin to move. But if you did nothing, nothing will happen.

Looking at this from another perspective, if you require something to happen, you need to do something. This means, in practical terms, that you are where you find yourself today because of the actions you have taken in the past. For instance, you graduated from school and went on to university, studied engineering degree and passed. On obtaining your degree, you were hired by a firm of engineers and began rising up the corporate ladder to the position you find yourself in now. Had you chosen not to go to university, you wouldn't be where you are today. Also, had you gone to university but chosen an arts degree instead, you similarly wouldn't be where you are right now.

Understand? Or as I like to say, capish?

So what does all this have to do with investing in the real estate market? Well, it means that if you want to keep getting the results you always have up until this moment, then keep doing what you always have and you'll do fine. However, if you want to get different results -- if you want to earn way more money, for instance -- then the last thing you'd want to do is keep doing what you always have. You'd want to do different things, wouldn't you? Of course you would. That should be obvious to you by now.

The question now is this: to get different results you need to do things differently. But if you knew WHAT to do, then you'd probably already be doing that. Here's the thing: you don't know what you don't know.

My message to you at this point is this: to achieve vastly different financial results, your behaviour needs to be vastly different to what it has been until now.

Capish?

"Massland changed my life"

The ideal lifestyle

My ideal thing was to create a job around my kids so that I spend the school holidays with them.

Getting into property development

I was always passionate about property. My first deal in Mudgeeraba made me a profit of $244K in just 15 months. I've also done a 'call and put option', which made us just under $100K in nine months. Now, I've got some experience and some money behind me. But the profit can vary. I'm purchasing my first project without a partner. If and when that comes through, the profit on that will be around $450K.

On taking the course

Get in there, get to the seminars and follow what's documented in there. If you follow it step by step, you'll be fine. But you do have to make that initial leap. In the beginning, we sent out 200 letters and the phone rang off the hook. We didn't have any experience, but we just did it. Massland changed my life because it gave me an idea of how I could start off in property without any money – and it gave me life on my terms.

Victoria, Massland Student

Chapter 3:
Cashflow from Control?

Just as in business or any other aspect of life, cashflow is the name of the game. Without cashflow, everything grinds to a halt.

With real estate, it's no different.

It goes without saying that when it comes to wealth creation, your focus should be even more finely focused on cashflow because without ensuring there is a surplus come the end of each month, you will have nothing to build your wealth with.

I know this from experience. You see, I used to be a great spender. I used to frequently spend more than I earned each month, leaving me with a growing problem that I tried not to think about. As long as it was a case of life as normal, I didn't think about the sorry state of my financial affairs. I got on and lived life.

I've since learnt to be prudent with my money. I learnt to treat money with care and only to spend or commit it after considering the future. Once I had changed my financial ways, it was as if I was seeing the world through a new set of eyes. I suddenly realised how easy it would be to make real progress towards achieving my financial goals.

This new approach has really changed my life. I recently bought a brand new Ferrari and paid cash. You should have seen the look on the salesman's face when I said I would take the car and pay cash. I could tell it wasn't everyday that someone walked in and bought one of their cars for cash.

Most people spend their money even before they've earned it. The reason they do this is because they are 'keeping up with the Joneses'. I guess this is partly a consequence of our consumer society which

encourages continual spending, upgrading and always needing to have the latest.

This isn't the way of the entrepreneur. And it shouldn't be your way either. Understand this: when it comes to financial affairs, only YOU count. Not the Joneses, not your neighbours, not your colleagues, only you. Your best interests must come first as you are the one who has to ensure your finances are in good enough shape to provide for you for a very long time.

Capish?

DEVELOPING SHORT-TERM CASHFLOW

As with anything in life, you have to start somewhere. It's the same when it comes to making a start in the real estate market. But before you can kick things off and begin building a portfolio, you need to have a certain amount of capital available. This usually means cash, or access to it.

So how do you go about acquiring this without risking everything you have achieved in life so far?

When using real estate for short-term cashflow, it's about extracting value from properties that may not be obvious to the naked eye. It's about taking a property and realising value from it. This can easily be done in a variety of ways by making use of some of the existing attributes of the property. For instance, you can apply for Development Approval that will allow a few townhouses to be built on it, and then on-selling the property with the approval in place.

Creating cashflow through real estate is easier than most people think. There's a lot of money to be made but it does take time. That's why time is the thing most property developers value most. You'll be hearing a lot more about this as you progress through this book.

OPTIONS GIVE YOU TIME

Whenyou secure an option on a property, you are getting time, which will allow you to add value in some way so that you can realise a price far higher than otherwise would be the case.

It is important to understand at this point that an option is not a contract. All it is is an agreement that gives you time. That's all it is.

An option is a right given for a consideration to purchase a property on or before a fixed date, on terms previously agreed upon. An option entitles, but does not oblige, the person having the option to make the purchase. It is, needless to say, a legal document.

Chapter 4: 14 Ways to Make Money from Real Estate Options

I make use of 14 ways to make money from options. I don't use them all all of the time but chose which are most applicable for any given property that I have an option on.

When you find a property and secure an option over it, it's then up to you to decide which quick cashflow strategy suits you best. The important thing to remember is that you can do anything to the property while you have the option on it, as long as it is written in the agreement.

The other thing to be aware of with options is that as the option holder, you are under no obligation to do anything. If things don't quite turn out as planned, you can literally tear it up and walk away. This doesn't actually leave the property owner any worse off because during the time you held the option, they were the direct beneficiary of your time and expertise. In addition to that, if you had been able to secure a Development Application, it would be theirs as owners of the property, which would now be far more valuable and saleable in any case.

The following strategies aren't in any particular order. I have listed them randomly. Don't assume that agisting animals is the most effective or the one I always implement first just because it is the first one discussed here. It should be obvious that it won't apply to the vast majority of properties in any case.

STRATEGY NO 1: AGISTING ANIMALS

One of the first things you as a new investor are going to need is cashflow. And as the secret to developing cashflow very often lies in the ability to see value that others don't, one needs an open mind and a 'can do' attitude to succeed in this business.

This is especially true during the early stages of one's career.

Agisting animals is a terrific way to create a small cashflow as you get your new career up and running. But before I explain what this strategy involves, what actually is agisting?

To agist is to take in and feed livestock for payment.

You might obtain an option on a property in a regional area which could be used to agist horses or cattle. Keep in mind that you will typically have an option over the property for anything from 24 to 36 months during which you will be working on obtaining a Development Approval and that you can do anything with the property as long as it is written into the agreement.

If the property is large and has open space with grass, it may be suitable for agisting. If it is, then bear in mind that you could earn as much as $600 a week from farmers who are looking for pastures for their animals to feed on. Now this may not seem like much to you, but it can sure supplement a few days work each week, couldn't it? This would allow you to spend this time focusing on finding larger, more lucrative or profitable deals.

If you are looking for properties in regional areas, it also pays to think about the possibility of harvesting crops during the harvesting season as well. This has the potential to generate in the order of $30,000 to $60,000 each harvest as well.

I love agisting as a strategy, especially if I can also earn cashflow from harvesting crops as well.

STRATEGY NO 2: REMOVING EXISTING FEATURES

When you arrive at a property you have an option on and look at it, what do you see? Sure you see a block of land which perhaps has a house on it, but what else do you see? Do you see hidden potential? Do you see money waiting to be made? Do you see something others don't?

In Australia, palm trees are very common. In fact, they are so common most people don't even notice them. But it is this that provides the potential to generate cashflow. You see, palm trees are in hot demand, especially at new commercial or retail developments as they provide a sense of familiarity, relaxation or stability. They also help the developer to establish a ready-made natural environment that users find pleasing or comforting.

I have found that palm trees represent great cashflow as they can produce instant profit of up to $1,100 per tree, depending on the type and maturity. Phoenix palms of around 25 feet in height represent the best value at around $1,600 each, so get to know the different variety of palms in your area.

The interesting thing is this: most land that has palm trees on it and that is earmarked for development will have the trees removed by the developer of they are there. In fact, most people who are in the process of, or planning to, upgrade property will regard palm trees as a nuisance. Not only that, they will spend good money having them removed. However, if you are tuned in to looking for cashflow in creative ways, you'll see them not as a nuisance but as an asset that can generate a very nice profit.

So who do you approach if this strategy applies to you? I recommend you avoid the normal landscape yard and instead make contact with landscape wholesalers. They are more open to deals like this and pay the best.

This strategy could replenish your cash coffers by as much as between $16,000 and $22,000, depending on how many trees there are on your site. I have done very well with this strategy. And, of course, there could be other existing features on the property that you could remove for profit in the same way. Use your imagination. If you know that they will have to be removed in any case once the Development Approval has been given, why spend money doing so if you can achieve the same outcome, except at a profit?

STRATEGY NO 3: LANDSCAPES

This is a great strategy, especially if you have a property that is close to a regional or city centre. You see, industries like landscape yards are typically very transient and situated a long way away from CBDs or town centres. As this is where their lucrative markets are, they are faced with high transport costs delivering product to them and will therefore pay good lease rates for sites that are relatively flat and strategically situated.

The advantage of landscape yards is that they are typically located in one spot for a relatively short period. When a new community springs up and grows, most households will require enormous amounts of landscaping products as they become established. The problem they face is that as these communities develop and become more settles and established, the demand for their products and services wane, forcing them to relocate closer to another emerging community.

Most landscape supply yards utilise short leases of between 24 and 36 months so that they can take advantage of new communities or marketplaces as they emerge. They hold stock of items such as sand, different types of soils, garden mulches, barks, pavers, blocks, bricks, bush rock and plants.

Their situation can play into your hand extremely nicely as their typical lease period is very similar to a typical property option, and can earn you in the order of $5,000 to $8,000 a month, depending on the location.

Here's the important thing: as you control the site, the cashflow it produces is deemed to be yours as you are the option holder. What's so wonderful about this is that this cashflow can now be used to create a longer-term business for you. With $5,000 banked each month for the next two years, you will be able to reduce your current workload in your regular day job to just one day a week and devote the rest of the week to focusing on developing your real estate interests.

STRATEGY NO 4: REMOVE EXISTING PROPERTY

Very often you'll secure the option on a property that has an old house on it. Now, it may be that the house is dilapidated, in need of repair or simply not part of your development plans for the property. So what do you do?

You look for potential value that you can use to create cashflow.

I have found that it is very easy to find buyers for things like recycled timber, old doors and window frames, brass fittings, plumbing or various other fixtures. These days there is a burgeoning market for relocatable homes. Buyers hire firms that come along and load the entire house onto a low bed truck and move it to a new location.

Understand that timber is the most prized part of old homes and as a result, an entire industry has sprung up to produce recycled furniture to supply to an insatiable market.

This is a terrific strategy for creating between $40,000 and $75,000. Here's an example of one I did recently.

I purchased a basic residential block on builder's terms, which meant I had six months to complete construction. My idea was to relocate the old home and on-sell it during that time.

Purchase price:	$170,000
Transport old home via a contractor:	$18,000
Restumping, renovation, connection of services (water, electricity, etc):	$24,000
Fencing, landscaping, driveways:	$13,000
Commission for on-sale via agent:	$9,600
Sale price:	$295,000
Net profit:	**$60,400**

In Australia these days a 40-year-old timber house can fetch as much as $18,000. And under option, you have control. They are deemed to be your property, so you can use them to generate cashflow. I believe this is an extraordinary strategy that offers solid cash upfront with limited effort and no real risk to you, the option holder. The cash can be banked and drawn down on a monthly basis so that you can afford to concentrate on working towards achieving your ultimate goal. This sort of cash can help sustain you for up to four months, depending on your existing expenses or lifestyle needs.

STRATEGY NO 5: EXISTING RESOURCES

You know, one of the unique things about real estate moguls and property tycoons is their ability to recognise immediate value from any given situation. If additional value exists, they will quickly spot it. The exciting thing is that as your skills develop and eventually flourish, you too will be able to assess each individual situation individually.

One of the questions I always ask myself is how do I maximise the position I find myself in. Standing on a site and reviewing everything about it can bring into focus a whole new cash strategy that I hadn't previously thought of. That can be very exciting, let me tell you.

Take for instance a site that at first seems barren and uninteresting, except perhaps for the potential it has for a townhouse development. This much would be obvious to other developers as well because that's what they too are looking for. But if you were to take a fresh, more detailed and imaginative look at the site forgetting about its development potential for a moment, you'd find it may have other resources that you could turn into quick cash. Things like bush rocks, for instance.

If a site has a lot of rocks, and I have found that many do, think of them as cash because one of the cheapest methods of building retaining walls is by using rocks. Earthmoving contractors who build retaining walls are very often the people who remove these rocks; their job is to clear sites ready for handover to the ultimate buyer.

So how much are bush rocks worth? I have found that rates do vary but generally speaking they fetch around $5 per tonne. I have used this strategy to generate as much as $50,000 from a site.

Removing grass from a site is another fabulous way to create solid cashflow. Remember, I'm not talking about A grade lawn here; I'm referring to C grade grass that is sometimes called cover grade turf that is predominantly used in the construction of roads and freeways. You see, governments are becoming more environmentally conscious these days and have identified soil degradation and erosion as major issues. This has resulted in most reputable civil contractors buying thousands of square meters of cover grade turf to comply with the new standards. I have been able to sell grass for between $1.80 and $2,00 per square metre.

This opens up huge opportunities for you as a developer. It is a lucrative money spinner. But it doesn't end there.

Another great cashflow strategy I have used many times in the past is to strip the top soil from a site. By this I mean removing the top one or two meters of soil from the site I have under option. Understand

that this isn't anything new; in fact the large development companies have been doing this for years. Have you ever noticed how they stockpile soil into a small mountain while they are building the roads in a residential estate? They sell this soil to recoup some of their development costs. And so can you.

If you think of it this way, you'll see why I get so excited just thinking about it. You see, on an average 1 hectare site you could quiet easily remove 5,000 cubic meters of top soil. I have found I can easily sell soil for around $5,50 to $7,00 per square metre. Now allowing for extraction by a civil contractor, you'd still be left with a healthy profit of around $25,000. If you were to bank this and use it to fund your new career, you'd be well on your way to success in this exciting industry.

My key message is never to overlook the intrinsic value of a site and always take the approach of standing on the site and studying its physical characteristics. By assessing, analysing and walking over the side a number of times, you'll quickly obtain a fair idea of how it can create a nice cashflow stream for you.

STRATEGY NO 6: FLUID RESOURCES

One of the defining characteristics of the the times we are living in is a shortage of water. Water restrictions seem to be something we are going to have to get used to living with, and as we live on a dry, arid continent, it doesn't appear that this will change.

Water restrictions have become a feature of life on the land, with irrigation in particular being coming under the spotlight. In many regional areas we see water restrictions being imposed to either eliminate water usage altogether or reduce it drastically.

Water has become an extremely valuable commodity. Whole communities will flourish or wither away completely as a result of how much or how little of it they have. It has even been suggested

that in the future, wars could be fought over it. One thing's for sure, it now has strategic importance.

So what does this mean to you, the option holder?

If you have a site with a water extraction permit, this alone represents enormous value to you. Just having the skill to identify intrinsic value can produce between $1,000 and $4,000 a month without having to outlay a cent. And this is one of those fabulous strategies to implement, if applicable.

So while your Development Approval is being assessed by Council, you should try and identify early on whether or not there is a potential to generate cashflow by delivering water to potential users in the region. Water can be easily extracted (if it exists on your site) and pumped or trucked to locations nearby.

Water these days can be worth as much as $60 a megalitre to you. This equates to an additional $20,000 to $30,000 a year and can go along way towards letting you concentrate on Development Approvals instead of having to work full time.

And even if you have already given up your full time day job, this strategy can help create even greater profit for you.

STRATEGY NO 7: EXISTING FACILITIES

This is an incredible strategy that involves old industrial sheds, existing factories or warehouses. I have done very well using it and encourage you to as well when the opportunity arises.

It appears to me that many of the vacancies you'll come across concerning industrial sheds and warehouses will typically be those that are owned freehold.

The vast amount of vacant properties in the industrial sector are those that are owned by wealthy individuals or syndicates and because there is usually little or no debt to the bank, they pose no real urgency when it comes to leasing them and receiving a return on their capital.

I believe one of the greatest strategies available to us today is to isolate these opportunities and then create an entire marketing campaign to get them leased. Naturally, you'd first make sure you have the property in question under option and are in the process of seeking a Development Approval for a higher or better use before you set about leasing it. The important thing to remember at this point is that these sheds or warehouses I am referring to are vacant, run down and stagnant. But don't let this put you off as they represent immense value to you, the mogul. Understand that moguls look upon such resources favourably. They can see benefits that others can't. They know that, with a little work, imagination and conviction, they can produce a very nice cashflow that goes straight to their bottom line.

So how do you go about implementing this strategy?

The process is really quite simple and involves a couple of key marketing agents to generate new interest in leasing premises such as these. Obviously, you'd only be looking to lease the premises for the length of time you have an option on it and no longer. However, in keeping with your cashflow requirements, it's essential to realise that quite often a new approach can provide the cashflow you require.

The first thing you need to do is to brief several marketing agents from different companies on site, all together to get new, fresh ideas as to how to generate the cashflow you are after. You might, for instance, run a marketing campaign in the newspaper but this will, of course, be for your account. You might also consider running an aggressive marketing campaign targeting the leasing agent's database. On the other hand, you might chase a tenant who has requirements for the type of space you have on option.

What I once did was to have a good look around at the surrounding premises to get a general idea of the type of businesses there and to think about what business would be complementary to them. I noted that there were a lot of car yards in the area and saw that a paint and panel factory with a mechanic who offered a pre- delivery service for the car yards would probably go down well. I set about briefing a couple of good leasing agents about my idea and engaged them to fill the space accordingly. I appointed them on a dual agency basis as this way they knew they had competition and that I was serious about obtaining a result. But I didn't leave it at that. Not wanting to rely on them alone, I also ran a few line ads in the local newspaper.

Warehousing can be subleased for between $35 and $75 per square metre.

Remember, you can also always offer the owner or seller of the property a profit share of the monthly cashflow if you sense they are becoming a little annoyed at the success you are having. Sometimes they feel they could have done this themselves and kept all the profit. Sure they could have, but how many of them actually do?

STRATEGY NO 8: HARD STAND

This is a strategy that transport-related industries love. It involves the storage of large vehicles and items and it gets its name from the hard surface of asphalt or concrete that is used to provide clean storage on an open space without a roof.

I have found transport companies often find it very difficult to store large vehicles, especially when they have a lot of them to store. Take for instance a haulage contractor who moves large quantities of sand, gravel and a range of road manufacturing products with a fleet of up to 90 vehicles. Not only do they find it difficult finding a suitable location to park these vehicles close to where they are working at night, more often than not it is also expensive and inconvenient as well.

This makes hard stand a prized strategy that can pay big dividends to the option holder. Rates for a good, convenient hard stand can vary dramatically depending on the location as well as the requirements of the contractor, but good hard stands will remain highly sought after for a long time to come.

So what does a good hard stand look like? How will you be able to identify one when you see it?

I have found that a good hard stand is any flat area upon which transport, bulky articles and earth moving equipment can be stored. The area will typically range in size from two hectares to ten and would fetch for you rates ranging from $2,000 a month to $8,500.

My experience with this strategy suggests the best way to go about implementing this strategy is to begin by isolating the particular needs of the transport and earthmoving industries so you can develop a marketing strategy aimed at appealing to them individually. I do this by working with a good marketing agent who understands the value of your location to these industries and the usability of the site you control. And remember, as the option holder, you are entitled to make use of the site as you please until the option expires. So why not use this strategy to generate some good cash that could very well help you to eliminate one or two days of work a week so that you can concentrate on your real estate ambitions.

STRATEGY NO 9: SIGNAGE

Here's a great strategy that is very often overlooked by most people today. It is quick and easy to implement and is a generator of great cashflow.

To really see the potential that this strategy offers you need to understand that in today's market, millions of dollars are being spent each year on advertising. Businesses need to get their messages out

or raise awareness in the local community. They need to be able to be seen. They need to be understood. They need to be recognised. And they need to stand out in their marketplaces. Advertising is a very powerful way of shaping the way we think, how we think and what we think about. It also helps create desire. It is an indispensable part of business.

So how does this affect you, the option holder?

Whether you have an old commercial building awaiting a Development Approval or you have an option on a potential industrial estate, you need to recognise the immense value you can provide to the advertising industry in being able to offer a site from which they can erect outdoor advertising signage. This could range from multiple billboards along major road frontage to temporary signage on an existing building while the Development Approval is being issued.

Because advertising agencies value highly good outdoor advertising opportunities they are prepared to pay well for them. I have found that large media groups pay up to $60,000 a year for roadside advertising space.

The beauty of this strategy is that it creates an incredible upside to the option holder because the future site of a permanent advertising sign can actually be subdivided and retained by the option holder as an asset. Let's take a closer look at how you can go about achieving this.

The process starts by you seeking approval for the sign from your relevant local authority or body. For instance, if it's a freeway, motorway or highway you are dealing with, it'll generally fall under the State Government Department for Roads and Infrastructure. Next, you'll engage a Town Planner to identify the best method of applying for approval. If, however, your proposed sign is to be on a smaller suburban roadside, it'll generally fall under the jurisdiction of the local council. Again, the services of a Town Planner is imperative as he or

she will know the best way to approach council and what the best answers to their inevitable questions will be.

I believe this to be an amazing strategy for long-term cashflow, not just for the time between optioning the site and the issuing of the Development Approval. It involves the setting up of an asset you'll own that'll provide a continual income stream for evermore.

This strategy essentially involves subdividing the physical holding on which the sign is erected and taking ownership of it so that you can enjoy a continual income stream for as long as you wish.

STRATEGY NO 10: SPLITTERS

This is a great strategy for generating cashflow and it is one that many peopleuse. It is one that is well known among the average real estate investor even though they might not all take advantage of what it has to offer.

The thing I like about Splitters is that it takes advantage of old town planning ideas and methods. To my way of thinking, what it does is it takes an old situation and brings it right up to date. You see, back in the 1960s and 70s, most Australian residential blocks were around ¼ acre in size. That's 1,000m² in today's language.

These days local authorities, be they at the local, state or federal level, all know the value of allowing the population to be more densely populated. This can represent a saving of billions of dollars to them in infrastructure costs alone if they can encourage the population to live closer together. I have found that in some situations they are even encouraging the development of blocks that are less than 250m² in size.

The basic idea with this strategy is to option an old house on a traditional ¼ acre block, then to simply subdivide it into two smaller blocks and on-sell both without settling on them yourself.

Let me give you an example of how I tackled a simple one.

I optioned a property for 18 months, submitted a Development Application to the council to subdivide it, paid the application fees and when the approval was given, I engaged two good marketing agents on a dual agency basis and paid them their commissions when the two properties settled. This meant I only had to pay the commissions out of the proceeds of the sale, once I had received my money for them.

Here is a detailed look at the process involved:

- Sign option agreement for 18 months
- Engage surveyor to chart proposed subdivision
- Submit subdivision application to council (no town planner required).
- Council approves subdivision (usually 12 – 18 weeks)
- Surveyor forwards new lot layout to both Council and Land Titles Office
- Engage civil contractor to install new services (water, sewerage, etc)
- Land Titles Office acknowledges and issues two new RP Numbers
- Engage two real estate agents on a dual agency agreement to on-sell the properties
- Bank the proceeds of the sales (profit)
- This system is simple enough and very straight forward. But what does it cost?

Here's a detailed breakdown:

Surveyor:	$970
Application Fee for subdivision:	$800
Titling Fees:	$460
Headworks to Council (infrastructure charges):	$10,400
Civil contractor to install additional services:	$4,200
Total costs were	**$16,830**

So how much profit did I eventually make once the two properties were sold?

Let's work through the numbers.

Market value of the property:	$500,000
Property optioned for 18 months at	$530,000
Sold block with original home:	$395,000
Sold vacant block of land:	$240,000
Gross realisation:	$635,000
Less optioned amount:	$530,000
Balance:	$105,000
Less costs:	$16,830
Less two agent's commissions:	$15,875
Net Profit:	**$72,295**

It's important to note that the total amount of cash I needed to complete this deal was only $16,830. The commissions only fell due at the time of settlement. I was able to pay them out of the money I made on the deal, which was transferred into my account at settlement.

I believe one of the greatest benefits to using this strategy is that you get to learn the basics of the Approval process as well as the importance of being able to coordinate the whole process from start to finish.

The other thing I like about it is that you can easily do two splitters a year. The income this will produce can replace one income in the average household, allowing you to build a strong foundation that will allow you to do larger approvals with even greater profits.

The important thing to bear in mind is that your approval and civil works would normally take about five or six months to complete from the time you sign the option. If you experience difficulty selling the properties, you can always offer the original house and land on a delayed settlement, which is always very attractive to the buyer.

The other thing to remember is that you can always offer the vacant block of land with Builder's Terms. This means the buyer can build and pay for the block upon completion. This is of benefit to buyers; it therefore makes both properties far more attractive in the marketplace.

STRATEGY NO 11: TRADING BLOCKS

Now here's a strategy that I believe has to be the greatest one of them all, and it's one that isn't at all that obvious to most real estate investors and developers.

But here's the thing: this strategy necessitates the need for great negotiating skills. You see, your role is to act as a conduit between the land developer and the ultimate buyer, usually a project builder or financial planner.

The first thing I want to impress upon you is that this strategy is all about volume and not adding value. Understand that being a sales conduit and helping a developer to sell large volumes of residential blocks allows you to option them at a discount.

The next thing I want to impress upon you is this: if developers are in the business of developing and need to sell their estates as fast as possible in order to increase their profits, then your job is to create a strong sales channel to help them achieve their planned outcomes.

The final thing I want you to bear in mind is this: if you provide volume, you deserve a discount. But understand that the reason I say this isn't entirely selfish: you see, developers need pre-sales in order to qualify for finance in order to allow them to begin developing their new land estate. This is an expensive business and they need money so they can begin work. Let's assume the estate they want to develop consists of 400 blocks of land and that they need approximately 35% of them pre-sold to qualify for bank finance. Selling off the plan isn't usually a skill developers have; they are good at building, not selling. It's not their field of

expertise. This is where you come in. Your skill is the ability to identify buyers for these blocks and to be able to acquire them at a better rate than what most people would be able to. You are able to do this simply because you are asking the developer for a quantity of blocks, not just one.

Think of it this way: if you were to visit your local fruit shop and bought a kilo of oranges, you'd probably expect to pay around the $3.50 mark, wouldn't you? But if you were to visit the fruit and vegetable market instead and bought 500 kilos of oranges, the price you'd expect to pay would be closer to $0.45 a kilo.

The same principle applies to the real estate market. If you wanted to buy 20 blocks from the developer, they'd be more inclined to offer you a substantial discount. So getting back to our example, if the developer needed 35% of the 400 blocks he wants to develop sold before the bank will entertain a request for finance, your 20 blocks would represent a significant sale in just one transaction. This would represent an immediate benefit and would warrant a discount.

The important thing to remember here is that your role in this deal isn't to stitch up deals with the owner occupier; your role is simply as a sales conduit. You occupy the space between the developer and what we call the ultimate buyer -- the financial planners or project builders. And it is this latter group who will eventually sell the properties to what we call the nominees, the investors or owner occupiers.

This process takes time. Expect to spend anything up to eight months to establish the process, which can get quite confusing. The thing to remember is that all you are doing is connecting the developer with the ultimate buyer.

What is different with this strategy is this: unlike most options, you don't have the option over the blocks, the ultimate buyer does. However, you provide the physical documents to the ultimate buyer for signing. You must also ensure that both parties have signed a Non-Circumvention Agreement so they can't communicate with each other directly and leave you out of the deal.

It's also important to realise that, as the sales conduit, you don't provide the deposit monies. By having the ultimate buyer sign the option with the developer, they are responsible for all deposits. What I do is to ask the developer for their solicitor's trust account details and have the ultimate buyers forward the necessary amount to that account.

Here's an example of a deal I did once: My skill was to negotiate a 'strike price' of the option that was well below the retail price of $150,000 per block that was ready to build a home on. I negotiated a price of $127,000 for ten blocks, to which I added a margin of $3,000 each for facilitating the process. This resulted in a sale price per block to my ultimate buyer of $127,000 + $3,000, which equalled $130,000.

The result is that the ultimate buyer (the project builder or financial planner) receives the blocks of land at a discounted price of $20,000 each. The developer was fully aware that I was adding on a small margin for my efforts. You see, he knew that the greatest advantage of this to him at this point was the ability to shift volume, and the huge benefit to the ultimate buyer of the ten blocks of land is the enormous discount that was then available.

The key here is to focus on volume first as this gives you leverage with the developer. It also allows you to provide a great service to them and assist them to achieve their pre-sales criteria with the banks. So in my example, the developer paid me my $3,000 margin per block under the option.

Note: one of the key skills to ensuring success with this strategy is to qualify several ultimate buyers before seeking the blocks of land from a developer. Ideally you want to isolate six or seven ultimate buyers of land who can cater for as many as ten blocks per month.

My experience is that financial planners and project builders can be a little illusive. I have found that they are usually quite happy to accept a huge discount on blocks of land while being a little reluctant to commit to making it happen. This has led me to develop a selection of qualifying questions, such as:

- How many blocks can you potentially shift each month?
- What amount do you expect below the retail figure?
- Ideally, where do you want these blocks to be located?
- How many blocks do you currently shift each month?

Once I have asked these questions, I ALWAYS ask this one final one:

- Provided I can meet the criteria you've outlined, I guess you'd be happy to move forward now.

Once you have obtained their approval, suggest the number of blocks that meet their volume requirements and complete the discussion regarding deposits to the developer.

If you are beginning to think this strategy may be a little too speculative or difficult for you, here's something you might find encouraging: there are financial planning arms in Australia today that shift as many as 100 properties each month. This represents massive cashflow to you as the facilitator of the strategy.

It is recommended in all cases that your margin (not commission) be sought through the developer. And always make it known to both parties that it is only a margin per block. Remember, you are providing immense value to the parties involved. Ensuring that your margin comes from the developer will foster a more sustainable relationship with your contacts in the financial planning and project builder group. With a constant supply of stock and based on the results you produce, greater discounts will become available to you.

STRATEGY NO 12: PROJECT MANAGEMENT

Project management fees are one of the easiest ways to create cashflow while you progress through the process of the Development Approval. You'll find many private lenders, associates, friends and colleagues willing to forward funds in order to obtain a Development Approval for properties they own as they understand the enormous potential it affords them by adding massive value to their properties.

Institutions will know that working with you is a great advantage because you possess the skills to go out and seek the Approval, which in turn will provide a huge return on their funds.

So what exactly are project management fees? I think of them in terms of the ability to be able to draw down cash, or a fee for utilising your skill and facilitating the approval process.

Quite often lenders are open to joint ventures with an option holder and are willing to share in the profits as well as the rewards of the process. This represents an enormous opportunity for you to apply your new skills and receive a very nice cashflow along the way.

Project management fees for an approval are generally regarded as being a fee for the result, and in order to achieve that, you must deliver. For example, a Development Approval may take 15 months to execute and cost $300,000 to procure. In facilitating the Development Approval process, you commanded a project management fee of $150,000 cash payable upon the joint venture being structured. This means that $150,000 cash will be instantly forwarded to you in exchange for facilitating the entire Development Approval process. All fees for consultants, applications to Council, contributions and headworks are to be paid by the lender.

I believe this to be the best way for you to maximise your newfound skills and command instant cash for them. However, keep in mind that it is generally regarded as a results-based reward. This means that if, for whatever reason, the Development Approval is not granted, you'd have to pay back the project management fee in full as you weren't able to deliver the result they paid for. This is fairly common among lenders today as it ensures you remain focused on the task and determined to achieve the desired end result.

Private lenders offer extreme leverage in the marketplace, so be aware that it will be your name and your skill that will ultimately count.

Project management fees provide incredible potential for you to accelerate your progress and master the skills of having no cash in a deal. Your deals will be funded entirely by someone else. What's more, you, as the option holder, will also shoulder a minimal amount of risk.

I believe this strategy, when utilised correctly, can provide you with immeasurable value.

STRATEGY NO 13: BIRDDOGGING

One of the finest ways to produce a significant level of cashflow is that of birddogging. But before I go into any more detail about this as a strategy, let's first consider what this odd word means.

As a noun, it can mean one of any of various breeds of dogs trained to hunt or retrieve birds. It also is a US spotter plane that was used in the Vietnam War. A birddog can also be a person who is hired to locate special items or people. A talent scout is a good example of a birddog. It also refers to a highly skilled real estate scout who is driven to finding exceptional property deals.

As a verb, birddogging means to follow, watch carefully or investigate. It means to seek out.

I believe birddogging to be a true way of creating immense cash in a very short space of time without risk. Sound to good to be true? Then read on as I explain.

Birddogging is all about being able to identify intrinsic value and knowing what something is really worth. The skill here is to know the current state of the market. For instance, if you were to realise that a property is worth a whole lot more than the asking price, you'd immediately know there would be instant profit to be made if you were to acquire it. So what would you do? The very first thing you should do is to option it, but if that weren't possible, then you should use a 'due diligence' clause under contract to allow you to refer it on to an investor, developer financial planner or a syndicate.

As a good birddogger, you'd include in your skill set knowing just where to find great deals. I have a list of seven sources that I work regularly. They include:

- The Six 'D' Opportunities: Developers, Dummies, De Bank, Desperate, Death and Divorce
- Real estate agents and their websites

- Newspapers, both local and metropolitan, especially the classified advertisement sections
- Property magazines
- Developers
- Websites such as www.domain.com.au, www.realestate.com.au, www.realestate.co.nz

The kinds of things I'd be looking for include blocks of flats that have yet to be strata-titled, properties that can make good 'splitters', small land subdivisions, cheap low-end housing, distressed developers selling cheap units or townhouses, or profitable renovators.

Many people confuse birddogging with short options and for good reason. While they are very similar, the real difference is that with birddogging there is no documentation required on your part. You have a clear understanding with the ultimate buyer that you are merely sourcing the properties on their behalf. What this means is that all you are doing is identifying what you believe will make a great deal and then notifying your ultimate buyer, who will then proceed to finalise the documentation with the seller. And while I think of it, a short option is when you sell it on without doing the Development Approval.

The exciting thing about this strategy is that birddogger fees can range anywhere between $3,000 and $40,000. But there are usually a standard requirement that has to be met before you see this money and that is that the ultimate buyer will need to complete their due diligence, which can take between 60 and 90 days.

Birddogging is a brilliant way to generate cash very quickly with absolutely no exposure. What's more, you don't even need specialist or in-depth knowledge about the documentation of an option.

STRATEGY NO 14: AFFILIATE PROGRAMS

Apart from doing deals under option, there is another way for you to create a very healthy income stream for yourself and that is by taking advantage of affiliate programs.

What are affiliate programs? They are a marketing strategy that many educational companies use to promote their programs. This is how they work: you generate online traffic to their websites and when those you steered there buy or enrol for a course, you receive a commission. You are in effect a marketing agent for those companies.

Most affiliate programs around Australia offer between $300 and $600 in commission per sale, and bearing in mind if you are responsible for just two sales each week, you'll receive around $60,000 a year in cashflow. This is very nice indeed in anyone's language. I view it as a healthy way of working from home which can prove very beneficial in supporting

Chapter 5: My Real Estate Rapid Profit Method

When I set out writing this book, I decided that my aim would be to impart 10 years of option experience in as easy to read, understand and implement form as possible. I also wanted to make a really useful reference tool that you can go back to time after time.

When I sat down and thought about what I should include from all the experiences I have had, it became clear that what most people want is a simple way to make progress towards achieving their financial goals. They want something that works, something they can put to work straight away with the minimum amount of fuss. Of course, the world of real estate isn't that simple; if it were there'd be so many more millionaires than there are at present.

One of the big things I have learn over my years in this game is that there are two ways of reaching financial freedom through investing in real estate. There is the slow way, which is the way the vast majority of people take, and there is the rapid way. I have chosen this way.

At the core of my system is a principle that inspires everything I do and it is this: everything is sellable at a price. I always sell below the market and the valuation of the particular property. You see, ultimate buyers love getting a good deal. I'd rather make two deals instead of one in the same time frame as this way I make more money. It's what I call the Hyundai Model.

Here are some of the things I have discovered and use as guiding principles in my rapid profit method:

- You have only one name but millions of opportunities. Don't mess you name by doing dirty deals.
- Indecisiveness won't get you anywhere.
- Wealth is a choice.

- When you can finance your deals without incurring debt because you have made use of good cashflow strategies, it doesn't matter if interest rates go up or down.
- I only own one property in my own name and that's my own home because it's capital gains free.
- The only guarantee of security is a mortgage. No one can penetrate a mortgage.
- Don't buy lousy deals and try to pump life into them; let them die.

Target the lower end of the market as it is easier to move. The middle sector of the market gets affected most when times are hard. These are the people who are keeping up with the Jones'. I always operate in the lowest end of the market. It doesn't give me bragging rights at dinner parties but it earns me money.

This lies at the heart of the way I build a real estate portfolio. And it has enabled me to build a substantial one in a very short space of time. But before I go on to discuss my method in more detail, you need to understand that in real estate term, when I talk about a short space of time I am talking about ten years.

We know from statistics that real estate doubles in value every ten years. And as I like to be conservative, my model is to buy or create two properties or assets per year for ten years. Once I have done that, I then sell off the ten that I acquired earliest and use the proceeds to pay off the remainder. That leaves me with a substantial real estate holding that I own outright.

Capish?

Let's take a closer look at some of the tactics I use in my Rapid Profit Method.

DISCOUNT

One of the first lessons I learned about working in the real estate industry is that it is cyclical in nature. The market goes up and it goes down. I also learned that I could position myself to capitalise from this. And so can you.

As the market softens there will obviously be fewer buyers. This means that both sellers and developers are left holding stock that will be more difficult to sell. So while the masses are running scared, this presents us with an opportune time to strike.

It is a fact that discounted real estate is where some of the largest gains will be made. This is extremely important to note because as an investor, you will be intent on making the best profit you can from your involvement in the market, won't you?

Understand that your profit from any purchase is made at the time of purchase, not sale. This is a little understood rule. Think about it for a while and you'll see the power in it.

Another important rule to remember is this: you'll make twice as much in a 'down' market as you will in an 'up' market.

If you can see the wisdom of these two rules, you'll understand why I maintain you need to be bold with your offers. Obviously, the softer the market, the keener the seller will usually be to shift the property. So be brazen with what you offer. I'm never too scared to start with a low-ball offer. Let me give you an example.

I came across this property that was on the market for $269,000. I immediately knew it to be a good deal as it had 3 bedrooms, 2 bathrooms, a big living room and was on 890m² of land. Now here's the thing: the previous contract had fallen through because it was discovered that the house had termites.

The market at the time was soft and the seller had become disillusioned. I noticed that the surrounding properties were on the market for $290,000 and the neighbouring property had recently sold for $330,000. Using my knowledge of the market, I explained to the agent that due to the deteriorating market it was clear to me that there were plenty of sellers keen to discount in order to secure a sale. The agent agreed.

This was my cue, so I produced an offer that was clear and concise. I offered to buy the property for $$230,000 with a delayed settlement of four months. I also added that I needed access to the property during that four month period.

The agent looked at me in disbelief but had no choice but to present it to the seller, who signed the contract the very next day.

This is how the deal stacked up:

Purchase price:	$230,000
Stamp duty:	$7,245
Renovation:	$11,400
Total:	**$248,645**
New value after renovation:	**$335,000**

Loan to value ratio (LVR) at 80% on new valuation: $268,000

My cash, which was equity from other property, in the deal was $18,645. But here's the exciting thing: at 80% LVR I got all my cash back and was able to ride the market for no money in.

The moral of the story here is to put in crazy offers as you never know if they'll be accepted. By law agents have to present all offers to the sellers, so don't let them tell you otherwise.

Discounted stock is fantastic in a soft market as developers, too, face the squeeze. The interesting thing with developers is that they typically work with margins of between 18% and 30%, so make good offers with a reasonable expectation that they will accept. But do ensure that your offer is in writing. You

see, when an offer is presented on a contract, it is far more likely to be accepted because psychologically it's almost complete; all it needs is your signature.

'GIVE ME TERMS'

One of the things you'll get used to when becoming involved in the real estate industry is filling out contracts. At first I found contracts intimidating and scary due to their legal nature, but the more I worked with them, the more I realised that they are nothing more than a series of terms and conditions.

The interesting thing about this is that none of the terms are set in stone. You can change them, add to them or change them to suit your own situation. All they really are are the conditions that both you and the seller agree to, that's all. And I believable they are not really used by real estate investors nearly enough to give them exactly what they want or need from the deal.

I believe the terms of a deal present just as much value as the sale price itself. I've spent a great deal of time thinking about what terms I want in my contracts and which ones I don't. I've come up with a list of ones that include the things I want when doing deals.

It's important to remember that, when negotiating, everything is up for grabs. Concentrate on coming up with terms that sweeten the deal for the seller yet make it exactly the deal you need so that the numbers stack up. Ask the seller things like: who owns the car in the yard? I will give you $400k for the house as long as you include

the car. If this deal goes through and I get to rent the property out, I can then include the car with the rent. Think of how attractive that will make the house for a tenant? The same goes for the furniture. And if a tenant doesn't need a fully furnished house, I can always sell the furniture on ebay. One thing I have learnt is that if a person is in selling mode, they will sell anything.

The other thing to remember is that time is one of the terms that has most value to us, so don't forget to include it in your agreements.

The important thing to bear in mind is that terms can be used to structure the deal so that both parties are better off. In fact, always try to include anything that represents value as a term of the deal. And this doesn't mean you are doing it 'on your terms' only; it's a two-way street.

Some terms I use include:

- Access to the property prior to settlement
- Subject to termite inspection or pre-settlement inspection
- Subject to finance
- To include the garden shed, carport, air-conditioning units, swings or play equipment, palm trees, etc.

RENOVATIONS

When it comes to making money from investing in real estate, probably the most popular or common way most people go about this is by carrying out a few basic renovations. You see, whatever you do to improve a property will add value to it.

When you embark on a renovation project, what you are essentially aiming for is to improving its value by taking an old place and making it more liveable or appealing to prospective purchasers or tenants.

There are literally hundreds of ways for you to add value to a property. You could, for instance, retro-fit the old bathroom, give the kitchen a make-over, paint the exterior walls and roof or render the walls. But remember, renovations are always aesthetic. Render one wall instead of all. Put up a new fence. Personally, I don't touch bathrooms as I am not going to live in the place.

Ask yourself if you'll get back what you spend in renovation costs through rent.

I'm sure you'll invariably find that you won't.

The smart thing to do is to only do what you have to to impress a valuer. And be prudent. You see, it's useless spending time and money renovating if a valuer doesn't even recognise the value in what you've done. For this reason, I always recommend you keep renovations simple and obvious and avoid anything of a structural nature.

Call it artificial, but everything must look good from the street. I say this because we know valuers compare properties in the area even before they get into the house in question. This way they already know what the average property consists of and how much its worth. The idea here is to set yours apart from the rest even at street level. Use bright and unique colours so that it's obvious you've spent money upgrading the place. And don't forget to use dark, solid colours for the trim as this is noticeable and stands out.

From the very beginning you should be aiming to prove to the valuer that you have made the effort to improve the property. So you might add a carport if there is no lock-up garage. The point is, you have added value far beyond the $1,800 or so it costs to erect a carport. You might also consider a pergola and paved area; for the $4,000 or so this costs you'll be adding value and maximising depreciation at the same time. When it comes to the internals, I use the same principles. I walk through the property with a pen and paper and assess what I can do that will have maximum effect for the least amount of money.

The sort of things I look for are the following:

- paint the rooms
- re-laminate the kitchen
- re-tile all wet areas
- replace carpets
- install new curtains
- sand or varnish floorboards

These improvements get huge mileage from valuers and genuinely give the property more appeal, particularly when it comes time to rent it.

WORKING IT WITH INFLUENCE

Let's face it, when we get valuations done on our properties, we are wanting to see the largest number possible on the valuation certificate, aren't we? Of course we are. So if you have done all you can as far as renovations are concerned, spent money and invested time into the project, then why be content to sit back and leave things to chance?

To me this is simply illogical.

I believe the thing to do is to work with influence. You need to provide the valuer with all the evidence needed to justify the highest possible valuation you can get. All too often I see investors do all the work, putting in long hours for weeks or months on end and spending far more than they need to, only to surrender control when it counts most by leaving it all in the hands of the valuer.

If I'm going to put anything in the valuer's hands, it's going to be strong comparables that justify the highest number possible on the eventual valuation.

This is how I go about it. I refer to RP Data and make a list of all the sales, both high and low, in the immediate area around my property over the last six months. I then speak to the agent who sold me the property and ask for details of recent sales that aren't yet reflected in RP Data. I then compile a spreadsheet to reflect this information and include the agent's details as well as printouts of the sales recorded on RP Data. This is data that the valuer doesn't yet have and which will legitimately boost the value of my property straight away. It's worth it's weight in gold and well worth the additional effort in obtaining because it also shows the valuer that you are professional and knowledgeable in your approach.

I have learnt over the years that hard work by itself doesn't necessarily guarantee results, intelligence does. This means you need to approach investing in the real estate market intelligently. Doing so really pays off. You see, when the valuer visits my properties I always make a point of accompanying him as I can then be sure to hand feed him critical details of surrounding sales as well as point out the improvements I have made and how much they cost.

STRATA-TITLING

One of the skills successful property developers have is to be able to see things most people don't. They are able to see new uses for properties, they can uncover hidden potential and they are able to earn more money as a result.

One of the clever ways they re-define value is by strata-titling a property. What they are doing is essentially taking one property (or title) and turning it into several. In Australia, this applies particularly to small blocks of units or flats that were built as a single property and literally thousands of opportunities exist today to strata- title them and then sell them individually at a premium.

The question you're probably asking yourself is why everyone doesn't do rush out and do this. The reason is quite simple. You see, this isn't a strategy for everyone because traditionally it meant you had to buy the entire asset first, waiting for settlement and then commencing to strata-title the property before you could start selling off the individual flats. The challenge most people face is coming up with the deposit, not to mention cash to execute the titling process, pay the interest charges, etc.

I believe this to be a great strategy because the separately-titled flats will generally be at the lower end of the market and as a result will require little effort to sell because they will be keenly priced.

One of my students recently executed a strata-title deal involving a block of five units and it turned out very profitable. Here are the numbers:

Purchase price:	$470,000
Stamp duty:	$15,980
Strata-titling	$11,270
Basic renovations:	$46,700
Total:	**$543,950**

The units were then put on the market at $155,000 each and sold like proverbial hot cakes. This is how it turned out:

Gross realisation:

5 x $155,000:	$775,000
Less commission:	$23,875
Less total costs:	$543,950
Total profit:	**$207,175**

Can you see how you can make a very tidy profit by strata-titling a block of flats? The thing I like about this strategy is that it's relatively easy and straight forward to do. You see, what you are essentially doing is renovating one flat over and over again because they are all the same. What applies to one applies to them all. This makes managing the project so much easier. It also allows you to benefit from bulk buying as you'd be buying multiples of everything involved in the renovation job.

The strata-titling process begins with a surveyor literally subdividing on paper where the boundary will be for each flat. Typically this will be on the adjoining walls between the flats and, if necessary, the floors that separate each level. The surveyor will define the exact measurements of each flat and then, through the Land Titles Office, seek separate RP (real property) numbers for each. It is at this point that the individual titles are ready for sale.

One important thing to bear in mind is that fire separation between the flats is a council priority. You must pay particular attention to this by ensuring that the fire- rated walls between each flat continue up and right through to the underside of the roof. If they don't, you must consult a builder and seek a costing to ensure that they do.

If you're working with a multi-storey building, give preference to strata-titling flats with concrete instead of timber floors as fire separation between timber floors is extremely expensive and generally not feasible.

Another thing you could consider is to option the block of flats and in so doing, eliminate the need to settle altogether. Naturally, you'd want to offer the seller more for time (preferably 12 months) and pursue the strata-title in the agreed timeframe.

While you are going through the process of strata-titling, engage two real estate agent under a dual exclusive agreement arrangement so that they can already source sales for you. Of course, the Contract of

Sale needs to be subject to the titles being issued. Your only cash risk is that relating to the titling and option fees, which shouldn't be more than around $15,000. But with an option, you'll have pulled pure profit and extinguished the risk.

Another thing I like to do with strata-titling is to keep one and roll the sale over into the next financial year, taking the profits from that to minimise capital gains tax. I also sometimes hold onto one and assign all the profits to it. What this does is to ensure that the capital gains tax will only be due when that one is sold.

Another little touch is to fence in a small backyard as part of the strata title as it makes the units so much more attractive to prospective buyers.

SUBDIVISION

Conducting a small subdivision isn't just profitable, it's educational as well. This makes it, I believe, the perfect entry point for a real estate investor to become a developer.

When first starting out hunting for deals that have the potential to become small subdivision projects, you'll quickly become overwhelmed with opportunities. The most intelligent way to go about it is to develop a plan to isolate deals that consist of land areas no greater than 6,000m². This way, depending where the deal is located, it will yield no more than ten blocks or lots. I have found that by limiting the size of your project, it keeps the deal profitable and very manageable.

I use the advanced reports section of RP Data to locate properties ranging in size from 2,000m² to 6,000m² and target them with a view to securing an option. When I have the option in place, I then appoint a town planner to execute the Development Application. I regard the town planner as a key person on my team as this person is responsible

for the application itself along with everything else required, such as gathering and collating information that is generated by the various consultants. This can be quite involved as the average small subdivision typically requires civil engineers, architects, hydraulic engineers, surveyors and traffic consultants as consultants.

I have found that with the support of a good town planner, my involvement is the project is minimal. Generally I only need to attend the first round-table meeting where all the consultants meet to get a feeling for the project and what it involves. I have also found that this first meeting is a great place where I can raise concerns and begin the process of formulating solutions right from the beginning.

Once the subdivision has been approved, the property increases substantially in value. My experience has always been to target older areas that have a larger land component than more modern ones. The types of property I am particularly interested in optioning are the ones with an old house on a large block of land. They allow the seller to remain living in the home while I go through the process of seeking approval for the subdivision. But that's not all: I can, for instance, sell the house on a smaller block or renovate the house with a view to incorporating it in the new estate.

Let's now look at a real example.

I optioned a 5,120m² block with an old single level brick three-bedroom house and carport. This is what my balance sheet looked like:

Purchase under 24 month option:	$735,000
Stamp duty:	$31,790
Development costs (9 blocks):	$427,050
Commission (9 blocks at $149,000):	$42,300
Commission (sale of existing house on the smaller block):	$7,400
Total costs:	**$1,243,540**

Gross Realisation	
9 blocks at $149,000:	$1,341,000
Existing renovated house:	$267,000
Gross Realisation:	$1,608,000
Less Costs:	$1,243,540
Gross Profit:	**$364,460**

The thing I want to highlight about this example is this: approaching it intelligently and taking an option over the property, I was able to offset the risks. Think about it. I had two years to rally pre-sales with agents before I was due to settle. Not only that, the property had an increased value based on the Development Approval as well as pre-sales that further reduced the risk to the bank, should I had wanted to settle before proceeding to complete the subdivision.

Small subdivisions are really strong cash producers and set up a great foundation for larger developments.

The fastest way I know of to solid profits in development is through pre-sales. Understand that borrowing large sums of money with the intent of multiplying it can only be achieved when you've learned how to mitigate the risk. One of my guiding principles is never to pull the plug on a subdivision project until I have secured at least 60% in pre-sales.

DEVELOPMENT

There's no denying that development is an extremely profitable strategy for creating wealth through real estate but it isn't without risk. This is why I recommend you start out with something small.

My first development was a pretty basic duplex/semi. I was keen to isolate the risk first, so I entered into a joint venture with the property owner which would involve the development of two mid-range villas. The property owner retained the land and I used it as security for the development's funding.

The reason I opted for the mid-range sector of the market was simply because the completed product would appeal to a broader audience when it came time to sell. And, of course, I commenced the marketing campaign as soon as the option and joint venture documents were signed. I did this with the aid of two real estate agents who I engaged on a dual-exclusive agency agreement as this immediately reduced my level of risk even further.

There are a few things you need to bear in mind if the joint venture route appeals to you. You need to, for instance, be very clear on what your roles are going to be and what those of your joint venture partner will be. The items I usually make sure I am responsible for and are covered in the agreement include the following:

- Organising and appointing consultants for the Development Approval
- Overseeing the pre-lodgement meetings and obtaining the Development Approval
- Organising and paying invoices
- Facilitating the tender process for construction and appointing the builder
- Managing site meetings
- Co-ordinating titling and Body Corporate/Strata
- Project managing the development
- Securing pre-sales
- Finalising settlements, sales and handover

This may seem like a significant role, but realise that once the development process has been started, the next steps naturally follow and are less onerous than they initially appear. The thing to remember is that for taking on such a role you will be fully justified in seeking a

50% share of all profits in addition to the project management fee you deserve to see you through financially until completion.

These days even the banks recognise the importance of project management fees as a means of ensuring that the development reaches completion. They view it as cheap insurance. And it's more convenient having a cost component included in the project's budget to cater for a skilled person to oversee things until the end. This fee isn't trivial; 10% to 14% of the total construction amount isn't unusual.

As an example, for a development project with a budget of $810,000, a 10% project management fee would amount to $81,000. And if you consider that a project of this nature would probably take 46 weeks to complete, that's not a bad remuneration in anyone's language.

What's great about these fees is that they are payable when funding is drawn down from the lender. This means you get your money at the beginning of the project and not at the end. But here's the thing: most inexperienced developers get so excited by this that they run the risk of loosing sight of their ultimate goals. Through experience I've learnt to focus on eliminating risk first. When I do, the profits take care of themselves.

Once you have your project management fee, it's your responsibility to drive the development forward. This isn't as difficult as it sounds. In reality, all the you need to do is pay regular visits to the site to ensure that all is going according to plan (as much as possible, of course). Remember, you will already be familiar with all the key personalities and companies, you will know what they can do and what their accomplishments are, you will understand what is possible and what is feasible.

The main thing you need to be clear about at all times is the project completion date. Now you might be wondering how you are supposed to enforce meeting this date and what happens if the builder exceeds it. Well, the first thing to remember is that you would have already

eliminated all the most common challenges faced by builders and other construction specialists during your initial meetings. Secondly, this is where having a good contract comes in. You see, one concept you need to become familiar with if you are going to get involved in the wonderful world of real estate development is liquidated damages. This is a clause we use to enforce monetary penalties if the builder runs over time.

You need to be aware that most builders will want to delete this clause from the building contract as it holds them directly accountable. My advise to you is to not back down. Do not under any circumstances delete this clause as you will pay dearly for it down the track. It is really the only lever you have to control blow-outs in time. Without it, you will be at the mercy of the builder.

This is what the clause looks like:

"Liquidated damages will come into effect if the total construction period of 44 weeks is exceeded. The penalty amount of $4,000 per 7 day week will be imposed by the Project Manager who can elect to either seek the penalty as a cash payment when due or reduce the penalty amount/s from the total construction price as agreed."

This clause gives you a means of creating genuine performance from your builder, but bear in mind that the higher the liquidated damages the greater the risk that is imposed on the builder. So be realistic because if the builder feels the risk is too great, he will most likely load his quote for the job.

As the project manager you will be wearing many hats but the most important thing should be keeping your eye firmly focused on is the final profit you stand to make. My experience is that the only way to guarantee your profits is to secure them. And the best way of doing this is by pursuing pre-sales.

Of course, pre-sales is just the beginning; the one determinant that distinguishes enormous profits from losses will come down to your ability as a developer to sell the final product. My advise is for you to begin making yourself very well known in your local real estate circles. Get to know as many real estate agents as possible. Understand their own individual market preferences and influences. Visit their open houses and show them that you are active in the marketplace. Become recognisable as a serious player.

Once you have appointed two under a dual-exclusive agency, don't rest on your laurels and leave things in their hands. Continue to pursue other key agents, financial planners and financiers to sell your product. It is important here to get the interested parties to make contact with your appointed agents as they will be more likely to make even more money through your efforts. You will also be spreading your risk, something that I am always looking to do.

Ask your agents to supply you with a weekly activity report. Not only will this keep them on their toes, it'll also show them you are a professional.

Invite them to lunch regularly. You see, nobody seems to treat real estate agents well these days. In fact, very few people respect them as the professionals they are, so go the extra mile and give them some recognition. It will stand you in good stead and set you apart from other investors. Treat them as true allies because the reality is they can reduce your level of risk by thousands, if not millions, of dollars.

I make a point of visiting real estate agents regularly at their sales meetings, which are generally held on Tuesdays, and bring along a tray of coffees for them to enjoy. I also incentivise them by offering two air tickets to Fiji or a $500 shopping voucher for the first contract of the week. You see, I understand that sales people are driven by financial rewards, so I use them to get results. They love it and I get results. But be sure to make sure the rewards you offer are not in the form of cash.

The other thing I have learnt is that I must always be accessible. At times I have seen agents finalise a sale late in the afternoon and will want the contract counter signed by me that very day to lock in the sale. On a few occasions I have asked an agent to come around the next day only to discover that the buyer had changed their mind in the meantime and the sale had fallen over. I realise that the error was mine and now I ensure that I am always accessible and will even travel to the agent to sign. Why? Because it's reducing my risk and this has got to be the most important objective on an intelligent developer.

Let's now have a look at one of my duplex/semi developments to get a better idea about how the numbers can pan out.

Purchase under option:	$520,000
Construction costs:	$390,000
Agent's sales commission (x2):	$33,800
Development Approval:	$14,200
Interest:	$31,600
Total costs:	**$989,600**
Gross realisation	
Sales of two villas:	$1,280,000
Gross Profit:	**$290,400 or 29.34%**

OFF THE PLAN

As I have said many times before, time is the developer's most valuable commodity. With time, we can achieve almost anything. That's why I'm such a big fan of buying off the plan. You see, I believe it's a very smart way of tapping into time with minimal cost.

Purchasing with the idea of settling in two or three years time is, to my way of thinking, very attractive in an upward market. I know many investors fantasise about the idea of buying off the plan with a view to on-selling before settlement falls due.

Although this strategy has the potential to provide you with exceptional profit, my advise is not to enter the market with only this as your strategy. Off the plan works best when you intend to buy at today's prices but only settle in three years time. Naturally, you'd expect a significant discount to offset the inherent risks when buying off the plan, such as something happening to the developer along the way that prohibits the project from being completed. Funding issues can also, of course, sink the best laid development plans. Scenarios like these would place your 10% deposit at risk, so I favour the use of deposit bonds, a financial insurance instrument that carries a small premium, as this affords me a level of protection against this eventuality.

I believe off the plan to be a very intelligent way of buying real estate because the physical cash required is limited to the deposit bond premium, which is usually between 1% and 1.5% of the purchase price. This is how it works: suppose you were keen to purchase a property off the plan that was being marketed for
$450,000. You would then approach an insurance company and purchase a deposit bond for $5,000. The insurance company would forward confirmation to the developer that 10% ($45,000) has been allocated as a deposit on your behalf. The beauty of this is that you are only using $5,000 of your own money to lock in a profit that will crystallise in three years time. Calculating a discount, as well as expected market growth over the next three years will indicate that you stand to earn yourself a profit of anywhere from 5% to 35% with only $5,000 down. That could amount to in the region of $150,000.

Just remember that the intelligent way of approaching this is to settle and use the windfall profit as your final deposit. At this point you could apply for finance when the project is nearing completion and a valuation has been conducted by the lender and the increased valuation is used in your application to finance the purchase. This could mean that the purchase can be executed with only $5,000 having been put down. This would be an incredible deal, wouldn't it?

If you're thinking of buying off the plan, here are some smart tips that are worth remembering:

- Buy from large companies that have a proven track record
- Utilise a deposit bond instead of cash for the 10% deposit
- Buy in locations that have a consistently good performance record, such as those within 27km of the CBD with a strong surrounding infrastructure
- Remain unattached and focus on returns based on logic and not emotion
- Give preference to developments that come with a land component such as a house and land package or a townhouse as they are better capital gains performers over time

IT'S IN THE NUMBERS

Making money through real estate is serious business. It's serious because the numbers are so big. You see, it doesn't matter if you are concentrating on the bottom end of the market with just an investment property or two or if you are heavily involved with major developments, the amount of money involved is substantial in anybody's language.

Think of it this way: just owning two average properties outright will make you a millionaire. Now we are talking of serious money here. If you were a car enthusiast like I am, you'd think twice or three times before committing that sort of money to cars, would't you? But here's the thing: just because there are a few extra zeros in the numbers, doesn't mean it's difficult to succeed in real estate and make a decent living.

It's just like anything else -- the more you know the easier (or less risky) things become.

The good news is that becoming competent in real estate isn't difficult. But you do need to know the rules of the game, what you can't and can't do, what you should and shouldn't, and how to minimise your risk. You also need confidence in your abilities as a person, courage, resilience and persistence. And good people skills.

Most of these are natural abilities we are either born with or can easily nurture with the right attitude. But there is one other thing we absolutely need to succeed and that's the ability to gain as much market information as possible.

So, how do we get information? Through research, that's how.

Research is where great deals are born. Knowing with precision what is a good deal and what isn't is key. In fact, I'd go so far as to say that having the confidence to know that there is profit to be had in a particular deal is paramount.

I've found that, when I am well prepared, most of the deals that come my way seem to be rather similar. What's interesting is that while they are actually not similar, it's the key elements of the deals that are always the same. It's almost as if it's an illusion.

I have found that once you begin to specialise in a particular type of deal (or even sector of the market), the key components will become obvious to you. This is wonderful because it gives you an important advantage in the marketplace. The other important thing about this is that you'll begin to regard them all as just deals and you'll soon begin to focus on the profit each can achieve for you.

The best way to achieving strong profit in real estate is to just keep at it. It may sound crazy but like anything in business, it always boils down to the numbers. As Robert Kiyosaki says, when you look at enough deals, the good ones are there.

You know, when it comes to numbers, the thing about them is they can be interpreted and manipulated so that they produce information specific to your needs. With real estate it's no different. If you know who to manipulate the numbers you can get information that's extremely valuable. If you know the formula, you can gain insights into the market or the deal that you simply otherwise wouldn't be able to. So here's the thing: you don't know what you don't know. Think about this for a minute and you'll realise how knowing the numbers will place you in an extremely powerful position when it comes to doing deals.

Here is a basic formula that delivers every time based on the premise that it's in the numbers:

100 deals reviewed and analysed: contact made with the owner.

15 face to face meetings with owners that promote strong profits to you. 3 will accept the price and terms. 1 you will select as the best after conducting your due diligence.

This one deal potentially holds twice as much profit than if you just did any deal. By doing the work and sourcing 100 potential deals you will know with absolute confidence that the one you choose possesses the greatest return.

This means you need to devour the newspapers, surf the internet as regularly as possible, visit agents and really get to know the market. Then, it's be like walking into your local supermarket, seeing that apples are selling for 40 cents a kilo instead of $3.00 and having the confidence to pounce and buy four kilos instead of just one.

Knowledge of the market will guarantee profits.

“A wealth of knowledge”

I’ve made $60K through property. The result has been very well worth it.

There’s a very clear step forward on how to use property options to build wealth. The Massland team is very knowledgeable, experienced and has been extremely supportive of me.

It’s a wealth of knowledge for Massland graduates to tap into – and it’s just a phone call away.

Craig, Massland Student

Chapter 6:
How to Use My Automatic Acquisition Secrets

I guess the reason most people become involved in real estate is to accumulate wealth so that they can ultimately become financially independent. And I think it's probably fair to assume that in most cases, they fail. I think that could be due to a number of factors, one of which is this: real estate can become all an all-consuming passion, so much so that it's easy to not see the wood for the trees. By this I mean one can become so involved searching for properties and putting together good deals that it's easy to loose sight of the the initial goal.

We shouldn't just do deals for the sake of doing them. We need to keep in mind what we are doing them for. We need to remember that the ultimate goal is to increase our wealth.

When I first started building my wealth through real estate I worked out that if I could develop an automatic plan that would take care of my own wealth as I concentrated on doing the deals, then I wouldn't have to take my eye off the ball and could devote my attention to doing what I do best -- the deals.

The result was what I call my Automatic Acquisition Plan, or AAP for short. 'What's more, I am convinced that, in order to automate your wealth, accumulation is the only way to go. I say this because we all know that, at the end of the day, our wealth is measured by the assets we hold.

Here's another thing: all great entrepreneurs know that systems and automation are the drivers towards the arrival of success. They work on the principle that when it comes to wealth and influence, it's no

difference. They know from bitter experience that the creation of wealth isn't an overnight exercise.

Take those who win their money in casinos or on the lottery, for instance and you'll find that 76% are in fact worse off than when they had nothing. So what does this tell us? It tells us that wealth is, in fact, a process. It is a process of learning, comprehending, change, courage and wisdom.

I believe the best way of enacting all of this is through a process of automation. What we need to do is select an automation plan and then stick to it no matter what. Just as with your superannuation account, if you fail to contribute regularly over a long period of time, you'll never have much to retire on. Superannuation is based on compounding of regular instalments, but you have to stick to it no matter what.

When it comes to creating wealth through real estate, it's easy to reach your goals as we know that on average, property doubles in value every seven to ten years. This means that the more of it we retain within that seven to ten year window, the faster our wealth will double.

At this point, I'd like to eliminate a little mystery.

Wealth is really all about having a plan. It's about having a plan that engages a system of accumulation that allows the benefits of a process that has been proven many times over to accrue to us.

Here's how my Automatic Acquisition Plan works.

The aim is to generate a cashflow of $300,000 a year by owning ten properties outright. In order to do this, I need to purchase two properties each year for ten years, which would result in me having 20 assets come the end of the ten year period. Once I have achieved that, I would begin selling ten properties and use the profits to pay off

the remaining ten. These will be the properties I want to hang on to; they're the ones that will allow me to produce the desired cashflow without debt.

Purchasing 20 properties over the next ten years may at first sound like a mammoth task, but here's the thing: as a budding entrepreneur you're going to find

a system that allows you to do this without any trouble at all. Once you've purchased your first two properties, the entire procedure will become clearer. Firstly, you'll start with selection. Here I find that properties in the
$300,000-400,000 range are ideal because an integral part of your strategy will be to sell down some of the properties to pay out the balance of those you keep. So with this in mind, you want to target a price range that's affordable to most people.

If you do this, you'll accumulate a portfolio of 20 properties with a total value of around $10,000,000, based on an assumed growth of 10% per year.

The key here is to reap the rewards by selling down the properties you purchased in the earlier years of the accumulation process. Why the earlier years? Simply because you will have maximised your gains by this time and by keeping the newer ones, you're going to pay less tax due to your capital gains tax being lower as you retained the older assets longer. Got it?

Think about it for a moment. You will have built up a portfolio at a cost of about $7,000,000 (20 x $350,000) and with the natural growth of the market, accumulated approximately $3,000,000 in equity over ten years while you subsidised all your costs against your income. $3,000,000 over ten years means you made $300,000 per year on average, doesn't it?

So now that you are going to sell the ten oldest properties, it means you'll end up with ten properties debt free, with a net cash position of $300,000 per year. You see, as the market doubles over time, so too does the rental income it produces.

To start with, you were buying properties for $350,000 at a 6% yield, to $400 a week in rent. And over the course of the next ten years, you can expect the rent to double, making you $800 a week with no debt. This is pure cashflow.

THE BIG PICTURE

Why did you get involved in real estate in the first place? Was it to ensure you are financially free by the time you reach retirement age? Was it because you had some spare time on your hands and didn't know what else to do? Or perhaps it was because you thought it was the 'done' thing to do.

Some people are involved because it's the way they earn a living. Others find it exhilarating, exciting and profitable. Perhaps to you it's a sort of insurance policy to back up your superannuation fund.

The point is, you almost certainly got involved in the weird and wonderful world of real estate to earn money. Very few people I would imagine become landlords so that others can live rent free. Or for whatever they can afford as long as they are able to live comfortably? I don't think so.

Most of us enter the workforce at, let's say age 25, and work for four decades during which the government takes tax before putting us out to pasture in return for a measly pension. I believe that we need to take control of our own futures. I don't know about you but I want to leave a legacy, an empire, behind. But make no mistake, my kids will still need to work hard. I want to hand them assets one day that they can manage. This will breed a whole new culture of entrepreneurs.

So here's the thing: most people actually lose money from their investment properties. But I can't blame them because often their situation is as a result of unscrupulous marketing efforts on the part of sections of the development community. You see, so many people I come across actually think the idea is to buy with the view to losing money. They believe that the goal is to do whatever they can to make sure their bottom line is in the red. They actually set out to acquire property that is negatively geared.

I believe you should never take on an investment solely with tax considerations in mind. Your aim should be to make money, not lose it.

So many people find themselves in a situation where their portfolios are producing negative cashflow. This means that when they take into account their mortgage repayments and what they pay for insurance, council rates, agent's fees and repairs, they find themselves in a negative cashflow situation. Sure they can write it off against tax, but the fact remains that their investments aren't producing any wealth for them other than the possibility of a capital gain when they decide to sell.

I look at things differently. To me, you need to think of your portfolio as being as important to you as oxygen is. Think of it as a means to your very survival. If you were to do this, you'd be very much more proactive and in control. For instance, should you find your level of cashflow dwindling into negative territory, you'd quickly implement another strategy to top up the cash you need each month. You could, for instance, execute a splitter strategy twice a year which would produce a net profit of, say, $40,000 each. That would bring in $80,000 which you could use to top up your portfolio if needed.
Let's take a closer look at how this approach might work, using my Automatic Acquisition Plan.

If you purchase two properties during the year, you could renovate one and revalue it to maximise your profit. You'd retain it and use the equity to purchase more properties sometime in the future. The

second property could become the subject of a splitter strategy in which you could sell down the vacant land and retain the remaining property which might yield you 9% ($40,000) as a cash injection. Then, to further increase the performance of your portfolio, you could buy a property off the plan with settlement only due in 24 months time. You could also execute two more splitters during that two year period to produce the cash you may need come time to settle, or to top up negative cashflow you may have elsewhere.

MODES OF INVESTING

The interesting thing about investing in real estate is that it generally relies on time to produce results. This is due to market forces and the way compound interest works.

If you are following my path, you'll realise that I'm in it for the long haul. I don't take a short view of things. This doesn't mean that you can't make a quick profit in this game; of course you can. Some strategies I use are designed to produce quick cashflow. Sometimes it is desirable to acquire a property, give it a quick makeover and sell it. But I do this for a particular reason. It is part of my long-term plan.

The way I approach each particular deal varies according to the type of deal it is and where it fits into my overall scheme of things. This influences the pace with which I attack each deal.

When you are just starting out developing your portfolio, you will probably be quite aggressive in your approach to lending and purchasing. Then, once things begin to settle down and you have a long-term plan in place, you will find you'll most probably utilise three modes when investing in real estate. I call them Acquisition Mode, Consolidation Mode and Lifestyle Mode.

Typical characteristics of Acquisition Mode include:

- Highest possible Loan to Value Ration (LVR)
- Potentially negative cashflow
- Adding value: renovations, splitters
- Self-managed properties
- Actively seeking deals
- Purchasing below market value

At the other end of the spectrum is Lifestyle Mode, which has these characteristics:

- Buy at market
- Sell down older assets
- Positive cashflow
- Equity rich
- Reduce LVR

Consolidation Mode lies in between these two and displays a blend of both characteristics.

These are the traits you want to inherit depending on where you currently are in the process.

If we apply the ten year model to accumulate 20 properties, it's important to realise that the first three or four years will be the most intensive. It will be during this period that you will be buying and trading property to produce large chunks of cash to help service the necessary debt you will most probably incur.

By using a blend of different strategies, you will massively accelerate your net worth. Pick the ones you feel best suit your situation and, of possible, include a splitter, small development or a land subdivision in your plan. You'll find as you accumulate at least two properties a year that a splitter or development will provide a very healthy injection of cash.

As an example, let's look at one of my recent purchases. Bear in mind that my plan was to buy two a year.

The first property I chose to pursue was on the market for $320,000. I made an offer of $295,000, which was accepted. I obtained a valuation of $312,000 on the property and, based on this, borrowed $249,600, which was 80% of the valuation. I had to chip in $62,400, which I obtained from the equity I had in another property.

I immediately set about renovating the place and then getting a revaluation, which came in at $348.000. I was then able to redraw 80% of the new value of the property, which amounted to $275,400.

At this point, I still had $33,600 in the deal, which didn't bother me overly as it was a great way to demonstrate to the lender that I had a great track record of performance.

What I did next was to approach the lender with a different proposition. I decided to shape the second purchase as one that would create cashflow to guarantee the longevity of my portfolio.

I decided to look for a property that would make a great splitter. You see, I figured that this would make the lender realise that I had a very different view of accumulating wealth through properties. He would see that I am not debt- dependent but rather focused on cash and retaining my assets.

I came across this property that consisted of an old home on a 1,012m² block of land. Even though the home was quite run down, the seller was after a fast sale. But here's the important thing: the sale of the property came with approval to subdivide the block of land. All that I needed to do once the sale had been concluded was to execute the works and put the resultant vacant block back on the market. The house was renovated and rented out for $265 a week.

Let's now take a closer look at the numbers.

Purchase price: $230,000
Stamp duty: $8,970
Council charges for sewer and water to vacant block: $24,700
Commission to sell vacant block: $4,775
Total costs: $268,445

The vacant block was sold unconditionally to a local builder at a discount. The block was valued at between $160,000 and $165,000 but in the interests of a quick sale to reduce my risk, I let it go for $155,000.

So now the numbers looked like this:
Total costs: $268,445
Sell down of vacant block: $155,000
Total Profit: $113,445

With initial borrowings of $268,445 I owned a renovated house for $113,445 that produced $265 a week in rent. This equated to $13,780 a year. Now here's the interesting thing: this represented a yield of 12.14%.

Think about this for a moment. I had the choice of either keeping the renovated house and tapping into the instant equity I had created, or I could buy another property immediately with the balance of that equity. I could also sell the house for $240,000, pay the agent's commission of $6,900 and settle the remaining debt of $113,100 and pocket a very nice profit of $119,665.

I now would be in a position to use this cash as a reservoir to top up any future holdings that may have a negative cashflow. You see, most budding investors find themselves in a situation where they are contributing, on average, between $500 and $1,500 a month to making up the shortfalls on their loans. With the $119,665 I had just made that would equal about 100 months or 8 years of cash from just one deal.

Chapter 7: Security and the Migration of Money

As you will know by now, one of the most important things you can do as a real estate investor and developer is to keep a very careful eye on your exposure to risk. Even though in traditional investing circles the maxim that the greater the risk, the greater the returns holds true, there is no need to take inordinate risks to receive massive returns in real estate.

I know some developers are quite prepared to run risks, but I don't thing you need to do so to receive fabulous returns. Sure it is sometimes unavoidable, but you shouldn't if you don't need to. And there really are things you can do to minimise the amount of risk you are exposed to.

If you are intent on being in real estate long term then it all comes down to a question of security. After all, you need to know how secure your investments will be if you are going to spend most of your time and money acquiring and nurturing real estate assets, don't you?

WHAT IS CROSS-SECURITISATION?

Cross securitisation occurs when a lender ties all your assets together. Why, do you think, they would want to do that? They do so to minimise their level of risk, so that if something goes wrong, they have the power to control all your assets and in so doing, are able to redeem your debt.

There is another reason they like cross securitisation and that is this ensures you will remain a customer of theirs for a long time. In fact, it could be a life time because the break fees in the agreements are so high. They understand that most people simply want to avoid

incurring any additional or unnecessary costs and will therefore opt to remain with the lender indefinitely.

The real problem with cross securitisation usually occurs a little further down the track and once your portfolio has begun gathering momentum. At this point, it might happen that the bank loses confidence or market conditions change. This typically happens when property portfolios pass the seven mark. You see, what would the consequences be for you when looking for funding to make your eighth purchase and your lender says no? It will be a very expensive exercise for you to move to another, more supportive, lender.

So what can you do to avoid bumping up against this 'glass ceiling' that most banks impose? I do so by laying out the terms I want. I've learnt over the years that it's best to shop around and compare offerings, playing the lenders off against each other. This may sound a little harsh, but remember, they don't make money unless they are selling it.

Use this as your lever when they offer you their business. Most investors have it all wrong when they approach a lender. They simply hold out their hat and hope the bank is going to lend them money. To me that's crazy.

The best thing you can do is to insure your position by making use of a savvy finance broker who's knowledgeable about lending, particularly to serious real estate investors and developers, and who understands what you are trying to achieve long term. When you are going about finding such a broker, don't just take the broker's word for it, interview them and qualify their credentials. Check them out. Ask for references and follow up on them. Do your research; after all, this is something that should be second nature to you by now. You should also be checking that they are well known among lending circles, so that if you should use them, they will be able to place your requirements with a range of lenders and recommend the right one that won't cross securitise.

If you do this, you will retain the flexibility to keep borrowing where you need to -- during your accumulation phase.

Finance is one of the most integral parts of a strong and fast-growing portfolio. Understand that one of the best ways for you to enjoy a strong position in the market is to be able to shop around. You must create strong value in your deals by using some of the strategies I've outlined in this book and in so doing, you'll be more likely to find a lender who is supportive of what you are doing as they will recognise you as a sophisticated investor capable of creating value.

The last thing you should be doing is just approaching a lender with the hope of picking up funding.

THE MIGRATION OF MONEY

One of the great things about being an investor is that you are always on the
lookout for trends. This is, of course, part and parcel of research, and it does through up some surprises from time to time.

Early on in my deal-hunting days, I notices an obscure pattern. Whenever I uncovered a boom area, it always seemed to follow a massive injection of Federal Government spending.

Think about it for a moment. When the Federal Government spends huge amounts of money, they want a return for their investment just as much as any other business would. Whether it is the construction of a new motorway they are funding or just an upgrade to the existing freeway, property prices tend to skyrocket and appraisals are fast-tracked through councils, all of which adds up to a rapid increase in demand.
This trend is recognised by the country's largest developers too, with companies like Stockland, Ausrtaland and Mirvac all keeping a close

eye on where government funds are being spent.

While we may never be able to pick the market with absolute certainty or accuracy, there are indicators that can point us in the right direction so we can at least remain ahead of the masses. One of the key drivers for finding how and when the Federal Government is going to spend serious amounts of money is the media. Governments love to boast about all the good they are doing, so keep an eye on the media. You won't be disappointed.

If you have your finger on the Federal Government's spending pulse, you'll be able to draw down your equity and exploit these high times in the market. We know that over the long term, property prices double every seven to ten years, but with this additional knowledge we are able to accelerate these odds in our favour.

Let me give you an example. The government boasted about how much it was going to spend in Sydney in the lead up to the Sydney Olympics in 2000 and we did see a huge spike in real estate prices almost immediately. They then turned their attention to Victoria to support rapid immigration and this gave rise to huge spending to cope with the burgeoning population. Then it was Queensland's turn with the focus shifting to resources, jobs and stabilising employment. The increase in property prices there was staggering. Next in line was the resources boom in Western Australia and the need to create a stronger economy as global demand for commodities strengthened. We all remember the insane prices being paid for all types of real estate there, don't we?

Keep your finger on the pulse and you'll realise that the migration of money goes on. Our challenge is to unlock the opportunities this presents and so being able to strike as soon as we notice the trend. And while we need to remember that everything in life is cyclical, including real estate, let's take advantage of this fact in an intelligent way.

"Mark has given us the vehicle to free us from needing to have jobs."

Background and work history

We're farmers, or ex-farmers. Rollie [my partner] and I have always had a really strong work ethic but we didn't have the right vehicle. We worked hard; Rollie was a football coach and I was a trainer, a nurse and a mother. But working hard will not always reward you.

Taking action

[After attending the seminar] We went home, committed the money and knew we had to do something. We did the splitter, which we learnt so much from. I think anyone can do a splitter.

Deals in the works

We've currently got a renovation on an older property that we've owned for a number of years. We gutted and refurbished it, and spent about $30K. We should profit over $100K on that. We've also got a two-unit development behind an existing home, so we'll strata that into three separate titles. We're also doing a five-unit subdivision beside an existing home, on another title, and that'll become six titles.

What you learn along the way

You learn so much; you learn to deal with the council, surveyors and civil contractors. You start developing your own team, which Mark will talk about. We didn't understand that to begin with but we've developed a fantastic team. What that means is finding people you relate to, that you can work with and that you find easy to talk to. Of course, your negotiation skills will improve as well.

Continued next page >

Taking the course with Mark

Just go. You won't regret it. Mark will tell you way more than what it'll cost you, but you've got to go home and do something with it – that's the important part. Mark downloads his database directly; he's just like a computer. I've been waiting for someone – a lawyer, a surveyor or somebody in the building game – to pull him up, but no one has. He just knows it, Australia wide. The information is invaluable.

On personal success

Massland changed our lives. Doing the course with Mark has given us the vehicle to free us from needing to have jobs in the future.

Cheryl, Massland Student

Chapter 8: The Art of Successful Negotiation

Before getting into a discussion about how to negotiate successfully, I want to ask you this: who often gets what they want? Do you? Do you ALWAYS get what you want? Interesting question, isn't it?

When you really think about it, you'll soon realise that we all learnt how to negotiate from an early age. In fact, we began learning the art of negotiation as infants. You learnt, for instance, that as soon as you begin to cry you create attention. This resulted in being picked up, rocked, loved, talked to, played with or being fed, didn't it? Of course it did. Crying became a weapon you could use to get what you wanted.

As a youngster, you learnt that if you made fun of someone you also drew attention to yourself, only this time it was a different type of attention. As a teenager, you probably learnt that if you washed your Dad's car or mowed the lawn you'd get paid. What you had learnt, in fact, was to negotiate a return on your time. And as an adult, you may now negotiate with your partner or loved one in order to create the position you need to get your point across.

This is negotiation.

We have all learnt from a very young age how to get our way by using words, gestures and other mode of communication such as body language or appearance to create a position of power.

Being able to negotiate well is integral to assembling a real estate portfolio. It is part and parcel of making deals. Understand that a dealmaker is someone who can negotiate. And negotiate well. It can be said it is the art of the dealmaker.

You know, we can all be seen as individuals or groups who are characterised by what we do or how we behave. Dealmakers are no different. In general, great dealmakers are those who listens to the other person first then immediately thinks of what that person's needs are. The types of questions that run through their minds are:

- What is it that they want?
- What is it that they need?
- Why do they need it?
- How can I improve that which they need?
- How can I be even clearer on that which they desire?
- Why is that so important to them?

Once you know and understand their needs, you have an opportunity to include them in your deal. Better still, you can even create a deal around those needs so that the entire negotiation process directly achieves the result your seller wants.

Now think of this: peace is a form of negotiation. In fact, lives often depend on one's ability to negotiate. Organisations such as the United Nations often achieve peach through negotiation. As developers, we simply have to appreciate how important negotiating is and understand that even at times lives can be dependant on how well we can negotiate.

FIVE KEY POINTS OF NEGOTIATING

Anyone can make a great negotiator, as long as a few basic 'rules' are followed. They are:

- Seek first to understand. Listen.
- Clarify the other person's point of view. Make sure you understand.
- Suggest how you are going to meet their needs with what you propose.
- Put forward your proposal firmly and simply.
- Execute the truth with boldness.

Negotiating is very similar to selling. If you think of it this way it may not seem too intimidating. Let's now probe a little further into this fascinating, yet vital, aspect to becoming a successful property developer.

One lesson I learnt early on in my career is never to be too shy or scared to ask for the sale. I have since worked out that this has to be one of the single most important failings of many salespeople. As a dealmaker and negotiator you have to learn how to move the negotiation process forward and to an eventual conclusion. You have to take charge of the process and ensure it moves ahead and doesn't become bogged down in a stalemate. That way there are no winners.

You need to understand in order to be understood. Listen more than you talk. This is even more important when working with options. You need to not only understand the needs or desires of the other party, you also need to understand yours. You also need to have a very clear understanding of the very fundamentals of option dealing. It is therefore imperative that you understand that time is your most valuable asset.

Great options always come in the form of time. Your skill as a dealmaker is to gently persuade the owner of the property you are negotiating over in such a manner that you can achieve the time outcome you desire. With time, it is possible to obtain Development Approvals. With this in mind, you need to ensure that you have a minimum of 24 months, during which you will require between four and 18 months for the entire Development Approval process. In addition to this, you will need time to on-sell to the market.

Great negotiators are also able to do one additional thing and that's add value. You see, as a negotiator you will often lead a seller to a position where they discover or realise that what you are proposing is actually better for them than the position they had originally aimed for. Let me give you an example.

I often come across people who don't plan on relocation soon. I take this onboard and come up with a proposal that they hadn't considered before buy may find appealing. I say to them that I am prepared to option their property as long as I am given a time frame of 24 months to work with. I ask them if that would suit them. They often find a longer period of time to settle more appealing as it allows them to sort their affairs out and find a suitable place to move to without feeling pressured.

You have to understand that the market is the market. What I mean by this is that no matter how good we might be as negotiators, we won't always succeed in getting what we want. It is therefore important to understand that flexibility is the key. You need to approach every negotiation with an open mind. You also need to endeavour to come up with more possibilities through a process of creative or lateral thinking. You need to look at things from different perspectives. Don't be afraid of asking the seller if they have other ideas or different ways of making it work. Remember to always revert back to what's important to the seller -- their needs.

By focusing on the seller's needs, you will be essentially answering the question," Why is it you want to sell your property? Why is that important to you?"

When you consider the seller's needs as your main priority, you'll be setting out to meet their objectives before your own. And it'll show.

Follow this route and you'll have begun the sequence of discovering what drives the seller's decision-making process. You see, as you attempt to put others before yourself, people will get the feeling that you will be of great benefit to them instead of, like so often is the case, just taking advantage of the situation they find themselves in.

Another thing I have learnt over the years about the market is that it is never static. As a result, there is always greater opportunity to be had in a down market than in a rising one. It is worth noting that most

successful people in property have generally made more money in a down market than in an up one.

Options work best in a down market because in it, time is important. You'll generally find it easier to negotiate an option on a property in a soft market. This means you really do need to incorporate market trends in your market research. You need to not only understand when the market is trending downwards, you also need to know when it is likely to recover. The places I source this sort of information from include real estate journals, government websites, forums, the media and specific data relating to lending firms and banks.

FIXED PRICE NEGOTIATION

It may appear to you to be a contradiction in terms or an oxymoron, but believe it or not you really can negotiate over a fixed price. At least you can in the world of real estate. I know it can because it is something I developed. You see, I worked out that most owners have objections of one sort or another, but if I could work out what they were, I'd have the key to a successful deal.

Fixed price negotiation occurs when discussions are at a stalemate. Let me give you an example.

Let's assume you are interested in obtaining an option over a large piece of land that consists of two areas; area A which is 10 hectacres in size and area B which is 2 hectacres in size. Let's also assume your negotiations over a price for area A were successful, with a price of $5 million being mutually agreed. We can say that negotiations have progressed and it's just the finer points of area B that still need to be tied up.

What you do is set up the documentation in such a way that area B, which is still in question and yet to be negotiated, can be finalised at a later date. For example, if you have doubts as to whether it is

likely area B will receive Development Approval, you could offer a lesser rate per square meter subject to Development Approval being obtained. This means the negotiations will be able to continue and be finalised with the bulk of the transaction being established and fixed. It is therefore ideal to leave this portion of the overall deal subject to Development Approval, and as soon as it is issued, the price can be finalised.

In situations like this, it is a good idea to use a rate per unit or rate per square meter in accordance with the Approval that will be applied for. If, for some reason, the owner lacks trust in what you are proposing or feels it is possible to develop regardless whereas you don't, you can still arrive at an amicable solution which benefits all parties.

Here's a tip: if you find yourself in a development scenario in which the property's owner is unsure about what the property is worth, I recommend you use a rate price. This means that whatever the Development Approval grants in the form of volume, you will be in a position to agree on a rate price.

Let's say for argument sake there is 12,000m² of medium density land available and you can't establish a fixed price because the owner either doesn't trust your proposal or is simply unsure of what can or can't be done on the land, agree to a fixed price per unit site. Work out approximately what the price for each unit or townhouse will be and then once the Development Approval has been granted, use that rate multiplied by the number of units or townhouses mentioned on the Development Approval to arrive at a final figure.

If, for instance, a unit site is worth $44,000 and the Development Approval has been secured and mentions 31 units as being possible on the site, the total amount you will be 31 x $44,000, or $1,364,000. Doing things in this manner allows the transaction to move forward and as an option holder, the process is completely transparent, leaving the current owner completely at ease. This will also give them a sense of comfort and certainty and you will have honesty and integrity.

Chapter 9:
What is an Option?

An option is a legal instrument by which a choice is granted to acquire a given property. This simply means it is a document that gives you, the option holder, the choice to buy, on your terms and conditions, the property. What's more, if you do decide to purchase it, the seller is absolutely committed to sell at the original strike price.

With an option, the underlying principle is this: in order for the transaction to proceed, it must be at the sole discretion of the option holder.

Let's take a closer look at options now.

There are two types of options: short options and long options.

SHORT OPTIONS

The greatest advantage an option holder has with a short option is the ability to create cash in a very short time frame.

As it's name implies, when we talk about short options, we are talking about a time frame of anywhere between a day and six months. What I like most about short options is that they don't require you to go through the whole process of applying for a Development Approval at all. In fact, if you are able to identify intrinsic value, that's really all that's required to do a short option. However, for you to maximise your efforts with short options, it's critical that you are very clear on a specific sector of the real estate market.

Another thing I would absolutely recommend if you are attracted to short options is this: I believe it's essential that you become a master

at assembling deals. Not only that, you also should make it a priority to gain as much knowledge as you can; specific information, market research, comparables, building costs and all the

other important elements that go into assembling a short option is paramount if you are going to succeed. You see, you want to be more specific and far more tuned in order to make short options work well.

The important thing to bear in mind at this point is that they are a lucrative part of options in general and offer the kind of cashflow that most people are after, but in the shortest possible time. Don't think this is all too difficult to learn or get the hang of because as with most things in real estate, that's simply not the case. Sure it takes diligence, perseverance and knowledge, but that's one of the aims of this book. But let me give you some good news before we go any further.

Just by being clear in your own mind about the sector you want to concentrate on (residential, aged care, industrial, commercial, retail or professional/office space) you will become more specific when it comes to short options. And by becoming educated in this field (this is what this book is all about) and understanding the essential ingredients of what makes a deal work well, you'll find yourself moving quickly towards success. In fact, doing short options is really about your ability to identify value.

So let's take a closer look at what value is.

The definition of value that I like is this: value exists where the same product, of the same quality, is available for less cost. So, for instance, if we are talking about a particular property or deal, value is about locating the exact same property in a location that is essentially the same, but for less money. The important thing is to understand, though, that to do this, you will need a deeper knowledge than most people possess about these things. This will give you the confidence to assemble deals and to do so quickly.

I have found that it definitely takes a much more refined set of skills to be able to locate, identify and execute short options. Having a solid understanding of market cycles will also go a long way towards helping you deliver strong results from short options. Here I am talking about macro and micro cycles: the macro being cycles on a national level while the micro refer more to those on a local level.

You should have a very good feel for trends in your marketplace, the demographics and market sentiment. If you are well versed in these matters, you will be able to draw on up-to-the-minute data that will give you a competitive advantage.

So here's the thing: being specific is about being able to create a greater strength in your research. Let me give you an example.

Let's assume you've researched a particular area and have held discussions with five or six real estate agents. From these discussions you learn that there is a very strong demand for office space. Your research has also uncovered some existing properties within the Town Plan that allow for the development of professional office space. You have also ascertained that the current leasing rates are as strong as $400/m².

Let's also assume that you have taken what you've discovered, done your sums and worked out that you can purchase a suitable site for as little as $350/m².

Got the picture?

You will have realised that what you are faced with is a massive opportunity. You see, according to your feasibility study the land could still be optioned for up to
$500/m² and still be profitable.

So where do you go from here?

The first thing you need to realise is that the information you inserted into your feasibility study has to be absolutely accurate. Let's progress this example a little further forward now.

We know that construction is a very important component and will be crucial in determining whether the opportunity will be viable as a short option. This means it becomes absolutely imperative to conduct detailed research using specific builders in that particular location. You need to have a very accurate idea of exactly how much it will cost per square metre to build office space.

You need to, for instance, ask them what they include for that price per square metre. Does it include car parking spaces? What about air conditioning? And fixtures inside the building? How about the physical office fitout? Are carpets and ceilings included?

When it comes to short options, it's very important to be very specific as you'll need to be in a position to make a fast decision. Short options rely on far more detailed information than other forms of options.

In addition to researching building costs, you also need to do thorough research into leasing rates. Speak to a range of real estate and leasing agents and find out what the range of rates are. Don't forget the cap rate. The what, you are probably thinking? Capitalisation rates are the ratio between the property's net income and its value.

My advise is never to just talk to one agent; talk to at least three, but preferably five. This will give you a true indicator of the market. The same applies to builders, of course. The more accurate your maths can be, the better idea of what level of profit you can expect will be. And while I am talking of profit, remember that you will need a healthy profit margin in the deal as this allows you to leave a healthy profit margin for the ultimate buyer. You see, they are also going to need to make an attractive profit from their purchase. Why else would they be interested in buying the property from you? You see, the ultimate buyer is purchasing a level of risk under the short option arrangement

because there is no Development Approval and no guarantee that the ultimate buyer will be able to obtain one.

There's another important reason you need to do thorough research and it's this: your ultimate buyer will probably depend on it to reach a decision to purchase or not. This is another good reason for you to leave a greater level of profit margin in the deal as it will help the ultimate buyer to offset the risks.

Let's now take a look at how to go about creating short options.

Where do you start? This is a very good question, especially if you are new to this and feeling a little overwhelmed. I have found one of the fastest ways to create short options is to simply start by considering the needs of the market. This may sound obvious, but believe me so few people actually do. The best way of going about this is to contact large development groups or ultimate buyers, depending on the market you have chosen. Here I'm talking about builders who typically build townhouse complexes or apartments. They could be large multi-national groups that choose to build what is know as big box retail -- you know, large shopping centres. The idea is to initially conduct research with these organisations by asking them what they are looking for. Find out what their criteria, or menu of choice, is. This would include the size of their ideal project, how much they are willing to pay, what their terms and conditions would be and if they would prefer to do the Development Approval themselves.

There's one last, important, question I always ask before leaving and it's this: "If I were to bring a deal that met your criteria to you, would you be willing to buy it now?"

This is a very important question because it allows you to qualify your ultimate buyers.

The reason I attach so much importance to having meetings with organisations like these is that it arms you with the a very clear set of criteria with which to begin your search. And when you find product that matches it exactly, you have the beginning of a short option.

Can you see why I say it's better to approach your target market as the ultimate buyer instead of simply wasting time looking for just any deal? This approach eliminates a lot of wasted time and risk and ensures you don't find deals that nobody wants.

When armed with this sort of detailed information, you will know that everything under that maximum price will be profit for you. For instance, if your prospective ultimate buyer is looking for a townhouse development and needed 50 townhouses to make the exercise profitable, and you knew they were willing to pay up to $65,000 per townhouse site, if you were to come across sites for between

$45,000 and $48,000, you'd know there would be clear profit for you of between $17,000 and $20,000 per site. Multiply this by 50 and you'd have profit of $850,000 or $1,000,000 for a short option.

With this in mind, the other thing I would strongly urge you to make sure of is that the ultimate buyer you are talking to is the decision maker and that they are serious about their requirements. If you don't, you could be wasting your time.

Here's the thing: what you are actually providing is a tailor made solution to their needs. You are finding a product that they are in search of. You are solving their problems.

When hunting for product, remember that you don't need to confine your search to so-called emerging communities; doing so could in fact slow you down. Quite often, the best short options are to be found in areas that are already well established. The thing that will make short options a lot easier is your ability to massively add value.

There are huge advantages in seeking short options around already existing communities. What you should be looking for is a different type of sector or higher or better uses. That's the intelligent way of conducting short options. The type of things I'm talking about are infill areas within cities or properties properties that have obviously been overlooked. These are ones where all the development has completely surrounded the site, resulting in it becoming undervalued.

Let's look at an example now.

I'm going to assume our chosen sector is industrial. Where are you likely to find short option deals in this sector? You won't find them in the CBD, will you? Not likely. Industrial sites are usually found in very specific locations relative to the CBD. These are the so-called industrial areas of the city. It's where the factories are.

So for our purposes, I call this area the Deal Belt.

The deal belt is usually to be found in concentric circles around the CBD. So in our example, the industrial sector could be 30km from the CBD, which would be at the centre of the concentric circles.

Now here's the thing: you will find that there will be deals to be had close to the CBD but these will tend to be too expensive for the industrial sector to make them work. This means that there is a very clear relationship between our chosen sector and where we find it.

If a project works at 30km out on one side of the city, why won't it work at 30km out on the other? You will also find that as you move further away from the CBD into 'future industrial areas', short options won't work because the time line for bringing these new areas on stream will be too long. This leaves the perfect area, which I call the deal belt.

Another key component in conducting short options is your ability to package the deal in such a way that it is easy to understand for

the ultimate buyer. This makes it critical to be able to effectively communicate your vision as well as the proposed development to your proposed ultimate buyer. I have found having a small brief invaluable for doing this. In it I include information such as comparables of other properties that I have sold for greater amounts, overlays that show things like contours, flood maps and aerial photographs showing the boundaries of the property, and a small spreadsheet of price per square metre or per unit site. Also include schematics (an architect's rough sketches) and layouts of the proposed development. These, I have found, are great marketing tools as they share your vision by illustrating what is possible in the most tangible way possible. The ultimate buyer is therefore better able to have a clear understanding of the profit level that is potentially available.

My experience tells me that it is better to take a conservative view when talking about feasibility, profit or numbers. These days it is common to find feasibilities that are inflated. This only serves to rupture the trust developed with ultimate buyers. I insist on creating solid transactions by producing feasibilities that are based on real mathematics, real returns and real levels of profit.

What you should be aiming to achieve at this point is demonstrating to your prospective ultimate buyer that you have an intimate knowledge of the area and that you are offering them a getting a great deal that really does stack up. This whole process is what I refer to as basic reporting and it's important because it gives your potential ultimate buyer a clear understanding of the level of information you have generated from interactions with people like consultants, town planners, engineers and environmental consultants. Your basic reporting should highlight any issues that may be uncovered as well as recommended solutions as outlined by those consulted.

I have found that basic reporting is a very effective way to go about creating a more trustworthy transaction. You see, it is very important to identify all the issues upfront as this helps the ultimate buyer to feel comfortable with your transaction. It's funny how things have a

tendency to come back and bite you later on, so pay careful attention to this upfront. You see, if you don't, a lack of trust is sure to develop on your ultimate buyer's part, which will influence future deals. Your name is everything in this game, so do whatever it takes to protect it.

FIVE CRITERIA FOR SMOKING OPTIONS

1. Time vs. Money

You can always get back money but you can't get back time. It's imperative that you remain firmly of the view that time is your primary outcome when dealing with options. Understand that the more time you can negotiate into your option in return for a higher price, the more lucrative the deal will eventually be for you.

The biggest advantage time gives you is that your Development Approval will be almost certainly assured. You see, with time there are almost no obstacles that can't be overcome. The more time you have up your sleeve, the more chance you have of achieving the result you are aiming for.

2. Win With You

This is beyond just a win/win. Get this: the key to achieving great success in options is through transparency with the seller. That's right, the seller needs to be absolutely comfortable with the very idea that you are both going to profit from the transaction. If the seller should ask a direct question about how much profit you expect to make from the deal, always answer honestly and openly. If you have structured the deal properly, there will be a win for both of you. That is why I call it 'win with you'.

3. Numbers Are Knowledge: Knowledge Is Power

Numbers are clearly the cornerstone of great deals. In fact, great deals are all about the numbers. So to put a great deal together, you will need to have researched the mathematics of the deal well: you will also have to know the numbers well.

The maths you will need to be very familiar with include the following:

- **Existing Comparables.** Understand what the surrounding values of properties are before you start negotiating. This way you know how far you can negotiate and at what point the deal no longer works for you.
- **Development Approval Costs.** Understand what is required of consultants to get a Development Approval. Ask them for fee proposals. Request the total amount payable for contributions (fees payable to Council to provide the additional infrastructure required such as sewerage treatment works, roads, parklands, etc) from the Council. By law Council must furnish you with a total cost. Be aware that some Councils refer to them as the Register of Fees.
- **Construction Costs.** Here I am talking about the construction rates that apply to building the finished product. Reputable builders can supply you a square metre rate for construction, for instance $1,000 per m² x 500m² = $500,000 for the job. This gives you precise numbers so you can determine the feasibility of the deal. You can ascertain firstly, if the deal is profitable for you and secondly, what the profit margin will be for the ultimate buyer.

4. Be a Joint Venture Master

Too often people enter the property world starry-eyed thinking that they will be multi-millionaires within a week. Nothing could be further from the truth. Sure, it can happen, but what often jeopardises their success is greed. I have noticed that greed has a habit of unravelling great deals with regular monotony. So my advice

to you is to be reasonable when starting out. Be willing to share some of the upside with a funder or partner. I would much prefer to have 50% of a successful deal than 100% of one that has failed. Besides, even if you made nothing from your first deal, you would have gained an invaluable education and experience for free.

5. Team Fit

The trick is to ensure that the skill sets of the team you have gathered around you compliment each other well. When starting out, it's a good idea to create a team as soon as you can. This should be one of the very first things you do. Always ensure that their skills are complimentary to yours. For instance, if you are time poor, you should be looking for team members who have plenty of time on their hands. If you aren't so good when it comes to organising, then make sure you have someone on your team who is a good organiser or an organised person. In addition to this, try and ensure that you also align yourself with people who are equipped with professional skills. Here I'm talking about accountants, solicitors or surveyors. The advantage you'll receive is in being able to tap into these important skills without incurring the physical costs.

BUYING TIME

Have you ever thought about time? You know, the very concept of it? What is it? What does it mean to us as we live our lives? Can we do without it? Who says it is what it is?

Interesting questions, aren't they?

Now think of this; how much is your time worth? How much would you say it's simply not worth getting out of bed for in the morning? $5? $10? $1,000? $100,000?

We all know we can make more money for ourselves if we were to suddenly lose the money we have, and that once we've spent our time, it's gone for good. If you accept this argument, then surely you'll agree with me that time is priceless.

Whatever your thoughts are about time, there's one thing you'll doubtless agree on and that's that it is very important to us. It is even more important when it comes to options.

Get this: the only time that options become difficult is when we don't have enough time to either sell it to the market as a short option or complete a Development Approval and then sell it to the market.

Capish?

It is therefore important to understand that when it comes to options, we need 24 months as a minimum, or longer if possible.

But here's the thing: if you have a willing seller who is prepared to grant an option over a given property at, say, $2 million but a 60 day settlement is needed, it is entirely possible for you to buy yourself more time with money.

Let me explain.

Suppose the property in question has a sale price of $2 million and the requested settlement time is 60 days. If you were to suggest to the current owner that you would option the property at $2.2 million but instead of settling in 60 days you would get a 24 month option period. Can you see what is happening here? You have taken away the emphasis from you, the individual, settling the property because at no time do you propose to settle, unless you choose to do so. Not only that, but due to the additional value you plan on creating through obtaining a Development Approval, you can comfortably afford to offer an additional $200,000 above and beyond what the owner is asking for. This could also be in addition to its market value.

Very often owners are excited at being offered more than they want and are therefore more than happy in accepting the longer timeframe.

It's also imperative to realise that as an option is a written document, it becomes the option holder's discretion what to do with the property. So getting back to our example, you can afford to offer $2.2 million on a term of 24 months as this gives you ample time to initiate

the Development Approval process. You'd immediately appoint consultants and approach the Council to find out what they foresee for the site. You could then initiate the whole process. Then, with a binding Option Agreement and current Development Approval, you would be in a position to sell your position to the market.

But there's more. By creating massive value for our ultimate buyer we in turn create more upside for ourselves. And the simplest way of achieving this is by getting more time under option.

More time = more profit, simple as that.

Most ultimate buyers understand that more time gives the market more time to grow in value. It is easy to realise an additional 10-20% in a deal by simply seeking 36 months under option instead of 24.

Chapter 10:
The Churn Principle

The Churn Principle is a method, or formula, that I designed to make managing my business is options easier. It is a way of systemising things to the point that they happen in a set sequence, to my standards, all the time, every time. My Churn Formula allows me to insert a deal into a funnel in which it will pass through a series of filters that are in the form of processes until they either emerge at the other end or they get filtered out and discarded.

The intent of the filters is merely to determine whether they are viable propositions or not.

Let's now take a closer look at how my Churn Formula works.

To begin with, it's important to realise that when using options in real estate, one of the dangers you face is not being specific enough. Remember what I have said on numerous occasions before? It is imperative to have a clear idea of the market sector you are targeting. You need to have a very clear understanding as to why that particular market sector exists. You need to be clear on what dynamics and market forces are driving it at any given point in time. For instance, it could be falling interest rates, but these in turn will spark the residential and industrial markets. Evidence tells us that when the residential market begins to rise, the commercial/retail markets usually follow and rapidly rise. These types of trends are easy to read and follow, with real estate agents, investment magazines and journals being great sources of information.

The next thing you need to have clear in your mind is your objectives. This implies that you also need to have some targets that you want to achieve in the next six to 12 months.

The next thing to understand is this: success in the field of options

and property is determined by how many deals you execute. It should therefore be obvious that the greater the number of deals being poured into your funnel, the greater the success you will experience. This means that your level of success can actually be pre-determined by how many deals you move through your funnel in any given month.

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So let's get to the formula now, shall we?

To start with, churn a minimum of five deals per month, with a view to negotiating and documenting a deal every two months. The important thing is that while deals are moving down through the funnel, your outcomes will be inevitable because options, like most other forms of business, is a numbers game.

THE CHURN FORMULA

My Churn Formula consists of the following items:

- Choose a sector. Will it be residential, aged care, industrial, commercial or professional?
- Decide on a specific locality. Make sure to incorporate about five suburbs in your chosen locality.
- Consult UBD, RP Data, real estate agents, the town plan, etc to find key strips or areas of interest.
- Either drive by to familiarise yourself with the area or do an RP Data search to find the right properties that meet your chosen characteristics.
- Pick out key properties based on size, price paid, shape, aerials, infrastructure, etc.
- Run a feasibility analysis over the property. Determine comparable sales prices from RP Data, square metre rates, building costs, etc.
- Check slope, flooding, zoning, easements, issues or site constraints from the town plan.

THE WAY FORWARD

OK, so you've subjected your proposed option property to the funnel and it has made it past the filters without being discarded. It seems to stack up alright, so what now?

Here's what I do:

- Source the owner's contact details. What you are ultimately aiming to do is meet up with them in some way so you can progress your idea. But first you need to make contact, so you might aim to call them, send them something like a card in the mail or physically go around and knock on their front door. I find it usually takes a day or so to get in touch and then another few days to meet them.
- Meeting booked. At the meeting you will be primarily aiming to establish if they would be interested in selling, and if so, what their motives are. You'd also want to get a good idea of what price range they are thinking about and what their terms of sale would be. At this point you'd also want to explain to them how options work and what you can do for them.
- Sign Heads of Agreement. This is, of course, assuming all goes well during the previous step. You would explain the terms and proceed to draw up the final option documentation.
- Arrange a meeting for further negotiation if necessary. You might need to sharpen your price or renegotiate the terms, for instance.
- Usually a week later you will need to execute the documents once you have received the Heads of Agreement.
- Ensure that the final documents are signed and returned as soon as possible.
- Now all that remains is to commence the Development Approval process.

UNDERSTANDING MARKET CYCLES

One thing I have learned is that in order to really understand how the real estate market works, you need to first understand that there are cycles to human behaviour. We then will realise that it is these behavioural cycles that drive the market. You see, without the human element there simply wouldn't be a market.

It makes me smile when thinking about the simplistic view most people have of real estate. They seem to think it mysteriously booms one day, at which point they

ought to jump in quickly to grab a piece of the action for themselves. They seem to have the view that unless they do, they will lose out.

It is clear to me that real estate cycles remain a total mystery to the vast majority of people. They simply don't see the correlation between their spending patterns and the impact it has on real estate cycles.

They fail to realise that it is market sentiment that drives market cycles.

From experience we know that the residential market is the backbone of all markets. You see, our spending patterns as consumers drives the economy, but it takes time for other areas of the economy to feel the flow-on effects. It generally takes, for instance, a 30% rise in the residential market before industrial, commercial and professional even budge.

What's important to note is that in the commercial cycle, the yields in fact peak higher but they don't last as long as in the residential market. With industrial, we know from experience that the wave takes longer to come, but when it does it tends to last longer than a similar occurrence in the residential market.

When there's a residential boom in an area, the industrial segment will usually follow suit. This boom will deliver jobs required to sustain growth in the residential segment in that area.

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Another thing I have found is this: when considering a market sector to focus on, consider your current skills in real estate first. Ask yourself if you have had any experience in residential, commercial, industrial or professional sectors of the market. Or do you perhaps know someone who has. You can always make a start in residential and then move on to others later on. Nothing wrong with that.

I have also found that in industrial, commercial and professional, the competition isn't that great. Mum and Dad investors generally leave these sectors alone, leaving a wonderful opportunity for you to capitialise on.

A new market that is just emerging is the aged care market. I believe this to be the largest trend to emerge in real estate over the last ten years at least. If you choose to concentrate on this sector, you are sure to find enormous opportunities awaiting you.

Another market that is rapidly emerging is the need for office space in certain parts of Australia. For instance, in certain parts of Melbourne, the vacancy rates are as low as 4%. In Brisbane it can be as low as 3%. These spell major opportunities

“My whole mentality has shifted in life.”

I’m a builder and I live in Sydney.

I was a bit sceptical at first but the course is absolutely amazing. Mark is very energetic. He’s a great person to be around – and I’m a good judge of character. He’s very relatable, humble person. Mark has come from a bad background and I have too, so I can relate to him.

In three days I learned so much about real estate and property. I can see that Mark’s program works. It’s a no-brainer.

My whole mentality has shifted in life and what’s possible for me.

Daniel, Massland Student

Chapter 11: ***Combinations***

A combination is by far the most lucrative strategy available to us in options. It's what I am passionate about and it's where all the zeros are.

Combinations provide an incredible upside to any deal. You see, they actually allow us the flexibility to create an even greater yield by being able to maximise the deal.

You are probably wondering why I am so excited about combinations when most of the other option strategies also have what appears to be a similar upside to them. You are probably wondering what all the fuss is about.

Let me give you a simple example of a combination so you can see for yourself why I say the potential for us investors is absolutely staggering.

Suppose you have a 2,000m² parcel of land in the CBD. You are very familiar with the Town Plan, so you know that this land is zoned as Residential. Of course, as a good investor, you are also very well acquainted with the area and its characteristics. This leads you to believe you can maximise the zoning by proposing a development consisting of a five-storey building with the first floor being retail, the next two being professional space with the last two being residential. This ensures it remains in line with the Town Plan, while massively increasing the potential upside and creating a harmonious balance in the eyes of the Council.

Can you see how much you stand to benefit from an approach like this as opposed to following the more traditional route to developing a site?

When dealing with combinations, it's important to involve a qualified town planner as his or her specialised knowledge will be invaluable. Research is the key to understanding the potential of the area as well as the Town Plan. But that in

isolation isn't enough: you need to understand that the Town Plan is flexible, provided you put forward a workable solution. You see, most Councils these days take a 'workable solution' approach to development.

I have found that most Town Plans are written in such a way these days that they can be changed. I have also found that the solution is now the responsibility of the applicant. This means it is up to you to provide substantial evidence along with multiple solutions if you want to suggest a change to any density stipulations the Town Plan may have.

What I are talking here is something quite different to changing the entire zoning of a site, for instance from recreational land to industrial. This is termed in government-speak Material Change of Use, or MCU for short. This is very difficult to achieve as it means we would be changing the integrity of the site. However, if we were to ensure that we were able to retain the integrity of the Town Plan, for instance by maintaining the mix of residential as well as commercial and professional space, we'd have a much greater chance of success.

A CLASSIC COMBINATION

We had a 6 hectares (or 60,000m²) site that was zoned Residential A. According to our calculations, if the land were to retail for $150,000 a block, the most we would pay would be $41,150 per site raw (without a Development Approval). On this basis, if we were to on-sell it to an ultimate buyer, the best we could possibly hope for would be $3,292,000. I based this on being able to squeeze 80 blocks of 600m², including open spaces, into the site.

Developers who showed an interest and continued to negotiate with us knew they would be reducing their profit margin by doing so, something that is not terribly smart given that they have costs and risk associated with selling those blocks.

We were fully aware of this and knew that through using combinations and thinking outside the square, we would be able to add value in the long term, as long as our plans remained within the Town Plan.

I knew we could actually afford to pay more for the site as we knew how to go about maximising the deal.

When looking at the site, I decided to segment it into four main sections: Area A, Area B and Area C. Area A I thought would be perfect for an aged care facility given its proximity to a newly created retail precinct and facilities. I worked out we would need 15,000m² for the aged care facility which would yield us $120/m² without a Development Approval (which, in this industry, is generally executed by the Care Provider). This would bring in $1,800,000.

I identified Area C as having great potential for a commercial precinct that would be attractive to a bakery, newsagent, convenience store, medical centre, liquor outlet and a fast food business. That would occupy 2,000m² and, at a rate of $450/m² would bring in $900,000.

So that took care of Areas A and C. The remaining 43,000m² area I thought would be best suited to residential blocks, given that the Council would most likely want to achieve a balance when it come to issues like density. It would, I knew, be most important to uphold the basic integrity of the Town Plan.

Working on an average allotment size of 750m², that would give me 57 blocks to play with. This size I thought to be reasonable as it would allow for roads and parks as the finished block would actually come in at a generous 600m² each.

How much would this cost me? Remember I said earlier that I wouldn't be prepared to pay more than $41,150 for a raw site? Well, at that price the 57 lots would cost $2,345,000. My total cost for the project would therefore amount to
$1,800,000 + $900,000 + 2,345,000 = $5,045,000.

Now here's the thing: if you consider that the best possible on-sale price we thought we could get was $3,292,000, can you see why I get so excited when talking about combinations? I was a staggering $1,753,000 in front of the best possible scenario.

The other reason I love combinations is that it eliminates the majority of my competition who are also trying to option deals.

DEVELOPING PROJECTS

This is an area I find a whole lot of fun and so too can you. You see, it's something I absolutely love getting involved with as I find it very fulfilling. It also happens to be very a very lucrative enterprise.

These days there is a lot of scope in project development. But like anything, what you get out of it depends a lot on how you approach it. My approach is rather different to that of others.

Project development isn't for everyone. You see, there are two dangerous elements to it: funding and exiting. Get either of these two wrong and you can be in a lot of trouble. But get them right and you'll wonder why you hadn't cottoned on sooner.

This has been at the heart of the way I approach project development. I worked out early on in my career that if I were to eliminate these two dangers, what I would have left would be pure profit. And remember, in business -- any business -- profit is king.

Think of project development as the oil fields of the property business. It's where the sweet money is. It's where the big money is. It's where I do very well.

By taking an objective view, I've seen that on the whole, developers aren't good at working out the exit. They are good at finding funding for their projects, but when it comes to exiting them, that's where their biggest challenge lies. And that's were I am particularly good. My people skills together with my marketing expertise means I can relieve much of the stress the big developers experience when committing to a development project.

Project development isn't something you can dabble in. You really need to know what you are getting involved in otherwise you can get seriously burnt. It's all about

mitigating risk and trying to stack things up in your favour. You see, you are going to have to rely on so many people to succeed in this business. Not only that, but much may be out of your control. Take the weather, for example. All you need is a week of steady rain and you could end up in serious financial strife. Builders can't build in driving rain, for instance. If they don't turn up on site for any length of time, your project could fall behind schedule, leaving you with a logistical and financial nightmare if you aren't careful.

This is why I put so much emphasis on the Liquidated Damages clause in my contracts. It's a great way to mitigate risk as it enforces monetary penalties on the builder if he should run over time on the project. Most people new to project development don't know about this important clause and leave it out of their contracts. So many of them end up paying the price. Builders will, of course, resist you including this in the contract, but stand your ground; you will be glad you did as it will usually turn out to be the only lever you'll have with the builder.

“I’m financially free. I’ve paid off my parents’ house, bought my house outright and bought myself a new Mercedes-Benz AMG.”

Before the course

I was a registered nurse in the emergency department. I was working full-time, doing 12-hour shifts and making $35 an hour.

A change in lifestyle

When I attended the course, I went out and started doing deals. It was tough because of my shift work. After nine months, I’d made around $3M from property. I’m working on my third deal and with the number crunching, it’s looking to be $17M.

On taking the course

Go for it. Time is of the essence, so don’t waste any time. There are a lot of opportunities out there but not much time, so act on it. Get as much knowledge [from Mark] as you can because it’s priceless. It’s life-changing.

Looking toward the future

Massland has absolutely changed my life and my family’s life. I’m financially free. With the money I’ve made, I’ve paid off my parents’ house, bought my house outright and bought myself a new Mercedes-Benz AMG. I’ve got to keep working and finding more sites. In 10 years, I’ll probably be getting into development.

Raj, Massland Student

Chapter 12: What's Your Reason Why?

When it comes to doing anything well, you need to have a clear idea in you mind as to why you are doing it. The same applies to building wealth. I believe this is particularly applicable when it comes to building wealth through real estate because the stakes are so much higher. Get it right and you can do very well indeed, but get it wrong and you could lose everything.

So spend some time now pondering this very important question. Why are you in the game?

Understand this: 80% of your success will depend on your reason why. So get clear on it, understand it and never forget it. You see, you will very soon find yourself way outside your comfort zone, especially when you begin, so your reason why is what you must remain firmly focused on. It will be the one thing that will bring you through the tough times.

You may find it useful to know that 86 % of millionaires in Australia today hold their wealth in property. There must be a very good reason for that, don't you think? So remember, by becoming involved in this fascinating industry, you won't be alone. And your thinking won't be wrong, either.

My basic pointers include the following:

- Use compound growth to produce growth in the long term.
- Aim for twenty properties in ten years, than sell the ten oldest.
- There is no such thing as a perfect property or perfect market.
- Diversify markets to minimise risk.
- Be aware of Federal spending as use the clues.
- Look at where jobs are being created. Where are businesses being developed?

- Demographics are important. Where are the growth areas? Who are moving into these areas?

THE SEVEN STEPS OF DEAL SUCCESS

One of the questions I get asked most often would have to be what the steps are in this wealth creation production line. It's also one I used to wrack my brains trying to answer in my earlier years before I entered the real estate game.

I've given this question a lot of thought over the years and based my response on experience I've gained. I eventually wrote my answers down. I call it my Seven Steps To Deal Success.

1. **Choose sector and target locations.** Don't focus on two sectors at a time. Choose one. The key to wealth is do one thing and doing it well. Choose one sector and do it well. Choose three or four suburbs around where you live and start there. Leave the CBD alone; you'll find the numbers to be a little overwhelming. Deal with the masses as it's safer long term. Residential is a good place to start.

2. **Research the Town Plan.** Look for future opportunities that the Council is earmarking.

3. **Understand the numbers for a chosen location.** What is the current property worth in its current (raw or without a Development Approval) state? What does it cost to build? What will the finished product sell for (retail price)? Comparables? Check on RP Data.

4. **Contact potential sellers.** Hand-written letters are best as you'll have a 96% chance of the letters being opened. I never phone as eye contact is missing that way. Only use the phone to book and appointment. If they phone back, qualify them as sellers. 'If you think you are a seller, what do you think you'd be asking for the property?' An acronym I remind myself of continually is T D

D (Time, Deposit and DA costs, and Dollars, the price in today's market). Don't confuse your prospect by mentioning options at this stage. Rather just explain the process (TDD). Remember, the deposit goes to their solicitor's trust fund.

5. **Feasibility.** Always use factual, realistic numbers. Spend time getting to understand how to do feasibilities. This is where so many people come unstuck.

6. **Face-to-face negotiation.** Get a heads of agreement signed to secure the mental commitment of the seller. This heightens their reason for selling. Then we sign the option agreement.

7. **Documents.** Deliver the documents in person and let them know that solicitors usually will request changes. You see, they will be trying to justify their time, for which they charge, of course.

- Decide on a sector and stick to it. Aim at finalising one deal within your first 12 months.
- Create an ultimate buyer database, with at least five contacts.
- Learn software packages and get to know the Town Plan.
- Research rates and get to know your market well.
- Plug in to all coaching calls via webinar/teleconference.
- Pick up the phone. Call owners to finalise a time, a deposit and the dollars. Book meetings.

"I wake up with my eyes open now."

From business owner to property developer

I've been self-employed my whole life. I had a waste company and got into mining. I was working 12 hours a day, seven days a week. A month before Options, the business fell apart and we lost $180,000. We were in a pretty bad storm.

Deals and earnings

We did Massland about three years ago. I'd never done property before, so I had no idea what I was doing. I jumped in like a bull at a gate. I made a lot of mistakes and I probably would have banked a lot more money if I'd listened more. Some of the stuff we're working on at the moment is really exciting. We've put a large $45M property deal together. We've got two more and another one that's looking quite promising. [In one deal] we walked away with $495K. And we've had some small deals where we made $25K and $17K. At the end of the year, we won't have any problem banking $600K.

On Mark's guidance

Mark's mentorship has been phenomenal. I'm not an educated guy; I'm dyslexic so I go with the flow. He's taught me a set of skills I didn't think I was capable of. I'm glad I've got him on speed dial. I'll always be in debt to Mark and I'm very grateful for him.

On taking Mark's course

Mark gives you the tools but it's up to you to put your own touch on it. If you've got burning desires inside, you need to be at Mark Rolton's Options Course. Learn from Mark's skills; he's always pouring his life into other people and I think that's the objective of it.

Looking to the future

It's a journey; it won't happen overnight. Any business owner will know that it takes three to five years to build something significant. From a humble point of view, seeing money in the bank is an awesome feeling. I want to build a large, profitable business and get into my own developments.

Living life on your own terms.

I don't have to get up at 3.30am in the morning. I run my diary and run my life. I wake up with my wife every morning and I take my daughter to school. It's those little intangible things that you can't put a price on.

Mick, Massland Student

I'm Mark Rolton. At 22 I was a broke builder. In fact I owed just over $430,000 and had credit card debt up to the eyeballs. I had no idea what I was going to do. Then I discovered how to do this one particular kind of deal.

When I first tried it I struck a deal which made me $42k in a little over a day and a half. I was dumbfounded... as you can image, and I was more than a little excited.

I started looking for other deals and within a short time had completed the deal that many people have heard of where I made over $1m in just over 30 days. I did all that with no deposit, no bank loan, no stamp duty, in fact I never settled the property. That one deal turned my life around, allowed me to pay off all my debts and start in a new direction. I've since become Australia's #1 expert in this strategy and have helped many others also make that life changing transformation.

I share this strategy and show you how I help you, not only learn how it works, but also how I can help fund your deals and share in the profits if you are starting with no capital. Most people are shocked when I show them the kind of money you can make even if you've got no money right now.

Published by Mark Rolton

www.massland.com.au

(01)04601234567893