

TWEED HEADS SOUTH CASE STUDY NSW

A great example of an Uplift Potential
Property

UPLIFT PROPERTY WITH 6 TO 9 MONTHS OF PREPARATION

- Typically an uplift property will not be a positive cashflow upfront on your purchase
- You are searching for potential where you can do some refurbishing and find a new tenant and then sell for a capital gain
- Or keep as a high yielding cash-flow property
- This one will need at least 6 to 9 months of refurbishing and marketing to find a new tenant
- The uplift on this property is likely to be around 30% the purchase price... so a 30% gain.
- Suited for the more active investor

TWEED HEADS NSW CASE STUDY

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3 & 4, 139 MINJUNGBAL DRIVE,
TWEED HEADS SOUTH NSW 2486

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TWEED HEADS NSW CASE STUDY

- 3 & 4, 139 MINJUNGBAL DRIVE, TWEED HEADS SOUTH NSW 2486
- Two level office building on 2 titles
- Strata Titled
- Partially tenanted investment
- There are 12 tenancies housed within this property
- Main road frontage + rear street access
- Rear parking access + front car park
- Opposite a major shopping centre Tweed City.
- Currently configured into 12 tenancies, 7 leased and 5 vacant
- 13 carparks

TWEED HEADS NSW CASE STUDY

- Outgoings are estimated at \$35,700.
- This includes an electricity charge of the whole building for approx \$10,100 per annum.
- The tenancies are not separately metered.
- For new tenancies- you can have the new tenants pay for their electricity, assessed on a proportionate floor area to the whole and this will gradually lessen the outgoings and give a better rental return.
- There is potential to negotiate the current leases as they come up for renewal.

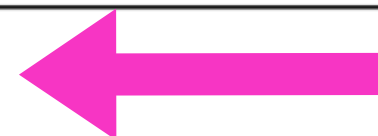
TWEED HEADS CASE STUDY

- Huge signage potential on the roof
- Building size 568m²
- Net lettable area 435.5 m²
- Purchase Price \$750,000
- Gross Rent \$70,220
- Estimated Outgoings \$35,700
- Current Net Rental \$34,520 = Current Net Yield 4.6%
- Potential Net Rental \$86,470 = Potential Net Yield 11.52%
- ??? What are similar properties selling for in the area (%Yield)?
Research, as this will provide an estimate of your capital growth potential

TWEED HEADS CASE STUDY

OUTGOINGS BUDGET 2018 - 2019

Management	\$3,000.00
Cleaning	\$4,300.00
Caretaking	\$400.00
Electricity	\$10,100.00
R & M	\$1,500.00
Council Rates	\$5,300.00
Body Corporate	\$10,600.00
Fire & Asbestos	\$500.00
TOTAL	\$35,700.00




TWEED HEADS CASE STUDY – CHECK TITLE WITH YOUR SOLICITOR

BOX 28A
(5450898)

NEW SOUTH WALES

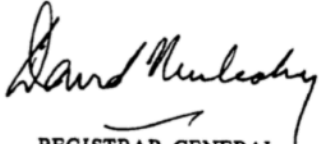
CERTIFICATE OF TITLE
REAL PROPERTY ACT, 1900




TORRENS TITLE
REFERENCE TO FOLIO OF THE REGISTER

IDENTIFIER	CP/SP44731
EDITION	4
DATE OF ISSUE	8.12.1998

I certify that the person described in the First Schedule is the registered proprietor of an estate in fee simple (or such other estate or interest as is set forth in that Schedule) in the land within described subject to such exceptions, encumbrances, interests and entries as appear in the Second Schedule and to any additional entries in the Folio of the Register.


REGISTRAR GENERAL



LAND

THE COMMON PROPERTY IN THE STRATA SCHEME BASED ON STRATA
PLAN 44731 WITHIN THE PARCEL SHOWN IN THE TITLE DIAGRAM

AT TWEED HEADS SOUTH
LOCAL GOVERNMENT AREA: TWEED
PARISH OF TERRANORA COUNTY OF ROUS
TITLE DIAGRAM: SH 1 SP44731

FIRST SCHEDULE

THE OWNERS - STRATA PLAN NO. 44731
ADDRESS FOR SERVICE OF NOTICES: 139-141 PACIFIC HIGHWAY TWEED
HEADS SOUTH 2486

SECOND SCHEDULE

1. LAND EXCLUDES MINERALS AND IS SUBJECT TO RESERVATIONS AND
CONDITIONS IN FAVOUR OF THE CROWN - SEE CROWN GRANT(S)
2. N973615 COVENANT AFFECTING THE PART SHOWN SO BURDENED IN THE
TITLE DIAGRAM
3. EASEMENT(S) AFFECTING THE PART(S) SHOWN SO BURDENED IN THE
TITLE DIAGRAM CREATED BY:
DP640602 FOR SUPPORT 0.07 WIDE AND VARIABLE
DP800936 RIGHT OF CARRIAGEWAY 2 WIDE
4. EASEMENT(S) APPURTENANT TO THE LAND ABOVE DESCRIBED CREATED
BY:
DP800936 RIGHT OF CARRIAGEWAY 3.1, 3.19 AND 4.17 WIDE
5. 3735692 CHANGE OF BY-LAWS
6. 5016352 CHANGE OF BY-LAWS
7. 5450898 CHANGE OF BY-LAWS

SCHEDULE OF UNIT ENTITLEMENT (AGGREGATE: 100)

STRATA PLAN 44731

LOT	LOT	LOT	LOT
1 - 15	2 - 35	3 - 20	4 - 20
5 - 10			

PERSONS ARE CAUTIONED AGAINST ALTERING OR ADDING TO THIS CERTIFICATE ANY NOTIFICATION HEREON

CHECK ASBESTOS REPORT – CONTROL AND MAINTENANCE REPORTING

Asbestos Survey

For

The Owners Corporation for

139-141 Pacific Highway (Minjungbal Drive)
Tweed Heads NSW 2485

Strata Plan 44731





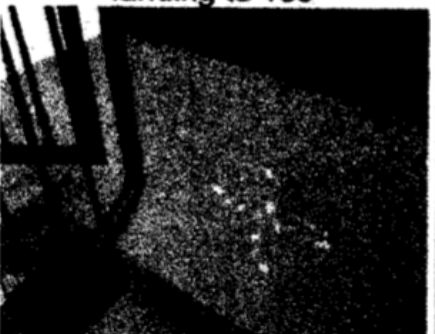
Inspection Details	
Date of inspection:	20/06/2013
Inspector name:	Roy Pearl

CHECK ASBESTOS REPORT – CONTROL AND MAINTENANCE REPORTING

24 June 2013

139-141 Pacific Highway (Minjungbal Drive) / Strata Plan 44731

Ref. No. 1354769

Photo	Location	Asbestos Item and Description	Condition	Work in adjacent areas	Current Controls	Risk Level	Control Measure	Sample No
Photo 2: First floor front external ceiling to 139 	External Inspection	Item: Fibre cement sheet The first floor front external ceiling to 139 is presumed to contain asbestos.	GOOD - No sign of damage or deterioration due to weather, non-friable	General repairs and maintenance	None	P4	Administrative, control access	
Photo 3: Front external bulkhead fascades to 139 	External Inspection	No asbestos containing materials (ACM) identified.						
Photo 4: Front external stair landing to 139 	External Inspection	Item: Compressed fibre cement panels for flooring, typically verandas, bathrooms and steps for demountable buildings The sheet flooring is made of fibre cement which has been known to contain Asbestos.	GOOD - No sign of damage or deterioration due to weather, non-friable	General repairs and maintenance	None	P4	Administrative, control access	

PURCHASE A STRATA REPORT

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M 0419 428 377 **B** 02 6676 1163
E lesley@holmesstratareports.com.au
PO Box 188 Pottsville Beach NSW 2489
www.holmesstratareports.com.au

28th March 2019

TO: [REDACTED] PTY LTD

ADDRESS: [REDACTED]

EMAIL: [REDACTED]

<p>TAX INVOICE</p> <p>ABN [REDACTED]</p>

RE [REDACTED] PTY LTD PURCHASE FROM [REDACTED]
PROPERTY: LOT 3 & LOT 4 / 139 MINJUNGBAL DRIVE, TWEED HEADS SOUTH
STRATA PLAN: LOT 3 & LOT 4 SP 44731



To inspect books of account for compliance	
To confirm current insurance cover, financials, books and records	
To pay search fees to the Owners Corporation for inspection of records	
To prepare and send report	\$330.00
	Plus GST \$ 33.00
	Total \$363.00

With Thanks

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PURCHASED STRATA REPORT

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11	GENERAL INFORMATION	
11.1	Number of Lots in the Strata Plan	FIVE (5) 
11.2	Number of Units in the Strata Plan	FIVE (5)
11.3	Unit Entitlement of the subject Lot(s)	LOT 3 – TWENTY (20) LOT 4 – TWENTY (20) 
11.4	Aggregate Unit of Entitlement	ONE HUNDRED (100)
11.5	When was the Strata Scheme Registered?	13 th November 1993
11.6	Who is the Original Owner?	RODUCTS PTY LTD
11.7	When was the First Annual General Meeting held?	Not recorded
11.8	Last increase in Levies:	At an AGM on 11 th December 2018

PURCHASED STRATA REPORT – RETRIEVE FURTHER INFORMATION

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13 BUILDING DEFECTS AND OTHER MATTERS

Particulars of matters discovered from the books and records generally which may adversely affect either the Owners Corporation or the subject Lot from the point of a Purchaser or Mortgagee, or which otherwise may be of interest to a Purchaser or Mortgagee.

BUILDING REPORTS

The following building, strata and safety compliance reports were noted:

1. TERMITE REPORT – Nil in the records at the time of inspection ✓
2. SINKING FUND FORECAST – Yes, copy attached to this Strata Report
3. WORK HEALTH & SAFETY REPORT – Yes, copy attached to this Strata Report
4. ASBESTOS AUDIT & REGISTER REPORT – Yes, copy Reports attached (Asbestos found) ←
5. FIRE SAFETY STATEMENT – Nil in the records at the time of inspection
6. BUILDING/DEFECT/ENGINEER'S REPORTS – Nil in the records at the time of inspection
7. INSURANCE REPLACEMENT VALUATION REPORT – Yes, copy attached to this Strata Report

PURCHASED STRATA REPORT

MAINTENANCE HISTORY

MINUTES OF AN ANNUAL GENERAL MEETING dated 18th December 2017 record:

Repairs & Maintenance

- **Electrical Works**

It was noted that PRECISION ELECTRICAL have previously carried out works. STM to issue Work Order and request quote. RESOLVED that an electrical contractor be engaged to replace the bulbs in the sign board and a quote obtained to install car park security lights.

- **Roof Works**

It was noted that ROOF N BUILD – Alten Family Trust have previously carried out works. STM to issue Work Order and request quote. RESOLVED that Alten Family Trust be engaged to carry out roof repairs to Unit 2 and that the committee representative to proceed with satisfactory quotation.

- **Fire Compliance**

It was noted that WORMALD have previously carried out fire servicing works. STM to issue Work Order and request quote. RESOLVED that the committee proceed with works on presentation of a satisfactory quotation.

WATER & ELECTRICITY

Water Rates are paid by the Owners Corporation from the Administrative Fund. A figure of \$2,00.00 has been budgeted for the current financial year. There does not appear to be separate water meterage at this Strata Plan.

PURCHASED STRATA REPORT – RETRIEVE FURTHER INFORMATION

15 GENERAL COMMENTS

This Strata Scheme has the prescribed insurance cover and building compliances. Overall, the books of account and records comply with the requirements of the Strata Schemes Management Act and Regulations. This complex appears to be well managed by STM BALLINA and the Executive Committee of the Strata Plan.

Inspector's Notes:

- This small scheme consists of 5 commercial units with car parking.
- There appears to be adequate insurance for this Strata Plan (Building \$4,640,560.00) with insurance coverage until 31st January 2020. ✓
- The Owners Strata Plan 44731 do not appear to be raising sufficient funds in the Administrative Fund (current balance -\$4,303.06DB) ←
- The Owners SP 44731 appear to be raising sufficient funds in the Capital Works Fund to meet future major works projects (and is slightly under the recommended amount in the Capital Works Forecast Report). ✓
- Levy contributions have remained fairly consistent over the last 3 years (Minutes of the 2015 Meetings was not found in the records at the time of inspection).
- Other than general building maintenance matters, there were no records at the time of inspection indicating any planned major works in the near future or any Special Levies. Note: However, STM do not provide correspondence, tax invoices, quotations or works orders at the time of inspection. Holmes has requested further information by email and this will be forwarded once received.
- The records note roof repairs undertaken over Lot 2 in 2017. Note: No roof reports, tax invoices or correspondence in relation to the roof were found at the time of inspection. Holmes has requested further information from the Strata Manager. ←
- Holmes has requested the Strata Manager provide any information in relation to whether there are any major works projects proposed in the near future (in particular in relation to any roof works).
- This Strata Plan appears to be well managed by STM of the Tweed Heads office.
- Note: STM are currently using two filing systems – some of the records are paper-based and some are electronic. STM are not providing adequate records as per strata legislation for inspections.

PURCHASE A BUILDING REPORT

paul | building
roberts | inspections P/L
specialising in pre-purchase reports

Phone: 0418 774 337
PO Box 862
Mermaid Beach Q 4218

Email: paul_r@bigpond.net.au
Web: www.paulroberts.com.au
QBSA Act Licence no: 1122480
ABN: 52 538 689 603

Building Report

Report Commissioned By:

Matt Wernas.

Property Address:

3-4/139 Minjungbal Dr, Tweed Heads South NSW



PURCHASE A BUILDING REPORT

Summary of Areas Not Inspected:

Interior:

Units 3, 3a, 4a, 5a, 7a. (Locked)

If any other inspections and reports are noted below, it is Strongly Recommended that they be obtained PRIOR to any decision to purchase the Property and/or before settlement. Obtaining these reports will better equip the purchaser to make an informed decision.

Other Inspections and Reports Required

Other inspection reports that should be obtained

Airconditioning Inspection (Units not tested). Plumbing Inspection. Electrical Inspection. Drainage Inspection. Appliances Inspection.

Furnished Properties:

Was the property furnished at the time of inspection?

The property was partly furnished at the time of inspection. Where a property was partly furnished at the time of the inspection then you must understand that the furnishings and stored goods may be concealing evidence defects (from minor defects to potentially significant defects). This evidence may only be revealed when the property is vacated. A further inspection of the vacant property is strongly recommended in this case.

PURCHASE A BUILDING REPORT

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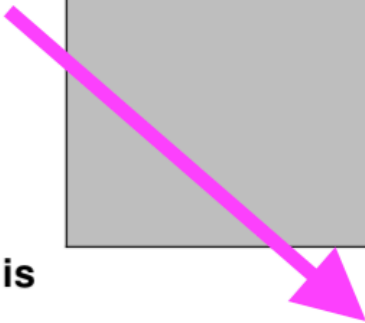
External Roof:

Roof Style:

Low Pitch Construction.

Roof Covering Condition
in Detail:

The overall condition of the roof coverings is good. However, there are a few patches of surface rust that require treatment to help prevent further deterioration.



The following action is recommended:

A licensed roof plumber should be called to make a further evaluation and repairs or rectification as needed. IMPORTANT NOTE: This may be the responsibility of the Body Corporate as the external elements could be classified as "Common Property". The Body Corporate should be contacted for more information regarding this issue.

TWEED HEADS CASE STUDY POSITIVE CASH FLOW

Purchase Price	\$750,000
Stamp Duty & Legals (5%)	\$37,500
Money Out = Total Cost	\$787,500

Commercial Loan (70% of Price)	\$525,000
Deposit = Home Equity Release (Deposit + Stamp Duty)	\$262,500
Money In = Total Funding	\$787,500

Current Rent from existing leases (4.6% Yield)	\$34,520
Loan Interest (Blended rate on both loans 4.7%)	\$37,012
Positive Cash Flow (Rent - Loan Interest)	-\$2,492

You will need to fund an additional \$2,492 over 12 months

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Projected Rent from fully tenanted property (11.52% Yield)	\$86,470
Loan Interest (Blended rate on both loans 4.7%)	\$37,012
Positive Cash Flow (Rent - Loan Interest)	\$49,458

This property can potentially generate income of \$4,121 per month

STRATEGY – RENOVATE & RE TENANT VACANT OFFICES

Start advertising ASAP for tenant

- As soon As Possible ...
- Talk to local agents and leasing agents and marketing and bringing through
- Have no-exclusive contracts to get more people through and have it tenanted faster

TWEED HEADS CASE STUDY HOLDING COSTS

This \$750K property that can attract a \$86,470 annual net rent and assume a 9 month period required to fully tenant it.

3 months rent free for each tenant on a 3 year lease + 9 months vacant is 12 months with no rental income

- Assume a 3 month tenant incentive to get them in = Assume an average of \$2,400 for each tenant, by 7 vacancies = \$16,800
- Plus 3 months outgoings = $(\$35,700 / 12) \times 3 = \$8,925$

TWEED HEADS CASE STUDY HOLDING COSTS

A. Tenanting Costs to you = 3 Months of tenant incentives

- 3 month tenant incentive to get them in = \$16,800
- 3 months outgoings \$8,925
- Total = \$25,725

TWEED HEADS CASE STUDY HOLDING COSTS

B. Your Holding Costs = Vacancy Period of 9 Months

- Bank loan interest that the current rent will not cover = less than \$2,492
- Outgoings ($\$35,700 / 12$) $\times 9 = \$26,775$

Total = \$29,267

Calculate Vacancy Costs While you Refurbish and Re-tenant
Total Holding Costs + Tenant Incentives

$$\$29,267 + \$25,725 = \$54,992$$

PLUS refurbishment costs- Asbestos Maintenance Control Costs

?? Painting, Re-carpeting, etc