



FAQS

1. Why use Landsplitters?

We are very unique in the services offered to clients. Yes, you can find many project managers out there and you can also find many other professionals to assist you, but we have the know-how!

2. How do Landsplitters differ from other project managers?

We already have an experienced network of specialist professionals established. But the best thing is, we have a vested interest in you and your business. That is, we have to make sure you succeed first, in order for us to succeed. It is this vested interest that drives us to undertake all our projects with maximum intention. There is no room for error in what we do. That is unique in the industry. You will notice that most other professionals will usually charge their fees along the way. We only charge our fees when the projects are completed and the money is in your bank account. We are so confident with our processes and systems that we use to complete the projects we undertake, that we will not charge our clients the fee if a project ever results in a deficit. Although this is a policy for our company, we have always collected our fees on our all projects we have undertaken so far. We also undertake many projects for our company. Due to this, Landsplitters does not have any short-term cashflow needs to warrant fees payable upfront or along the way like most other project managers would require you to do. We get the result for you and then we get paid. Given our track record, we believe this says a lot about us.

3. Why develop property?

There can be many reasons as to why you would want to be a developer. The main reason most people do, is that they have a passion for property. They like it. Another is the perceived lower risk. Property is generally perceived by the majority of people as being lower risk than many other asset classes like shares, etc. People have the perception (which is quite true) that even if the world goes into a global calamity or recession, and every investment class collapses, property isn't going anywhere and will still be there when all the smoke blows off. Another reason is kinaesthetic. That is, some people generally like to have the touch and feel aspect of what they own, including immovable assets like houses or bricks and mortar. They are materialistic. Another reason is the money. It can actually pay better than most other things an average person can do to make money. There are many other reasons that can be listed here.

4. How can Landsplitters benefit me?

We can benefit you through our sophisticated systems that we use to complete your projects. We build your property development business for you. We manage it into the future. We teach you how it is all done. We make sure you always feel safe throughout the process by keeping you 'in the loop' with everything all the time, with openness and transparency. That is how we operate.

5. What if I only want to do a one-off project and not build an ongoing property development business, am I locked in, in any way?

That is ok. At our first meeting, it is emphasised that the intention is to build a property development business over the long term. There are many other project managers out there that are very good at what they do and we will refer you onto one of them that would better suit your needs. Due to our time constraints and our current allocation of resources, we will never be able to service a vast array or large numbers of clients. So, it is for this reason that we have chosen a specific type of client that we can work with on a permanent basis into the future. **The type of client whose intention is to build a business in property development.** This intention has to be present from the beginning. The first project you undertake is a test for both parties to decide whether to continue into the future. You will need to know that we can complete the project with exceptional results and you would also want to know that you have felt comfortable all the way through the process. We will need to know whether we feel comfortable working with you to take you through the growth phases of your property development business. Either party is free to opt out after the first project has been completed. Both parties are also free to opt out in future also. Neither party is locked in, in any way. We sign contracts for fees payable to us, on a per project basis. The future is a relationship built on trust and satisfaction for both parties.



6. What is the first step to becoming a client?

We usually only accept new clients via two main channels. The first, are client referrals via our selected closely knit team of accountants that we currently work with. They are all located in the cities of Melbourne, Sydney and Brisbane. The second, are referrals from our existing clients who only refer their most trusted friends and acquaintances. We then usually refer them to one of our accountants, or on rare circumstances, we work with their accountant. On occasion, we also take on new clients who just walk in or make contact with us depending on the level of their own intention and self-determinism to build a property development business. We are very passionate about what we do. So if you are interested, don't be afraid to make contact, we would be delighted to meet you!

7. What fees do Landsplitters charge for their services?

This will be discussed at our first meeting in person. Our fees are generally much higher than the industry average, and we do not discount our fees. But, we also do much more for it than the industry average. We do not need to discount our fees, as all clients are happy to pay us for the results that we achieve for them. Most clients look into the future and see us as good value for money for them. The fact that our services are unique means that we can charge our fees according to what we believe to be reasonable for what we do.

8. Whose name does the property go into?

The property or properties when being purchased to develop all the way through to the finished product are always owned by you. Whether this is in the form of a corporation, trust structure or a combination of the two vehicles, the control and ownership is always with you. The appropriate structures will be discussed with you and put in place by your accountant and will depend on what is the best option for you at the time. We simply have a contract in place with you and your entities to develop each project to completion for a fee using our systems, our experience and our fullest intention derived from our vested interest in you to succeed.

9. Who does the purchasing of the properties for the client?

We will refer you to specialist buyers' agents who specialise in sourcing the types of properties which you will be looking for to develop. These buyers' agents have lots of experience and an excellent track record in achieving results and dealing with our clients ongoing. They represent you!

10. Is a buyer's agent and the fee that goes with them really necessary?

Yes! For several reasons. Firstly, buyers' agents do charge reasonably high fees for what they do, similar to what a real estate agent would charge to sell your home, but their fees are well worth it to our clients. A buyer's agent represents our clients and not the vendor, unlike a real estate agent.

In a seller's market, when market prices are on the rise, real estate agents are quite happy to talk prices up continuously which is in the vendor's favour as this is who the real estate agents are representing, which is fine. This does not do our clients any good when they are looking to purchase property for development. A buyer's agent knows exactly what our clients are looking for and how to source it. In a seller's market, buyers' agents tend to go off-market and not necessarily through real estate agents. They attempt to purchase from vendors by approaching them directly. This can create many opportunities for our clients. An example of this was when a buyer's agent came across a vendor who was thinking of selling for approximately 12 months and had been monitoring prices every few months through the real estate agents. He had given up ringing agents and asking about prices around 3-4 months ago and was not aware that prices had jumped up in the area over the last couple of months and so he settled on a fair price he was happy with at the time. This created an opportunity for our client as this is whom the buyer's agent represented. If our client had gone directly into the market, he would have paid much higher.

On the other hand, in a buyer's market where the market is slow and prices are either falling or steady and not moving up, buyers' agents tend to work in conjunction with real estate agents. As real estate agents also have the need to earn a decent living, in a slower buyer's market they tend to work closely with their client vendors by raising their awareness and giving them an understanding of the current markets and prices, providing them with all the information they require to make an informed decision to sell. They also highlight the advantages of having the opportunity of buying back into a buyers market at a reasonable price after they have sold. This suits well vendors who are looking at moving house. The real estate agents that do not do this and hold stock and do very little sales volume tend not to survive long-term. After a sale, the real estate agents then earn their commissions. No sales volume equals no commissions for the real estate agents. No commissions means no food on the table and they may not be there when the buyer's market is over and a seller's market begins. It is all one big cycle. The fact remains though, that their profession is necessary for the industry and



serves a good purpose. When we sell a property as a vendor we certainly always use a real estate agent. It is instilled as policy in their operating ethical standards by their licensing board that their onus should be to the vendor first. That is, to get the best possible and highest price on a property they can, for the vendor they represent.

Another reason for us encouraging you to use a buyer's agent is that we must remain at arm's length from property purchases as we are not licensed real estate agents, nor do we intend on becoming real estate agents ourselves. Using a buyer's agent assures us that the purchase occurs and satisfies all legal requirements.

11. Can I just go onto the market and purchase the property myself?

Yes you can. On the plus side, this would save you having to pay the buyer's agent fee. On the minus side, this is where you expose yourself to other people's mercy. This may result in you not purchasing the property on the right terms and possibly even paying a high price for the property. Furthermore, this may result in us not being able to develop it for you due to either the property purchase criteria not being fully met or council not in favour of development or even feasibility studies not being feasible. This could put you in a position where you have to put the property back onto the market and resell it, which may or may not be under favourable conditions. If this was the case then you would also have to incur resale costs without having made any money yet. This would actually be demotivating and direct your attention away from building a solid property development business over time. Many other things could also occur if we started to operate outside our current processes which we have built and tested and proven to be successful.

12. How much do I need to start my first project?

This will be discussed face to face in our first meeting and will depend on your individual circumstances and at what level you want your business to be in the future.

13. How does the accountant fit in?

Next to you and us, the accountant is the most important variable which completes the equation that is going to create your property development business. Apart from the fact that the accountant will advise you on how to set your business up correctly from the start and implement this setup for you, they will be involved in most facets of your business' growth. This will also involve lodging all of the required tax returns to the ATO, but by far the most important aspect is assisting with ongoing cashflow reporting to the banks. Over time, you will have to build your credit rating with the bank as a developer so that the bank will lend you funds as a developer and not an investor. The issue here is that the rules for LVRs (or leverage ratios) that banks require from investors are very different to what they require from developers. As a developer, the banks will look more at the project and your development business when lending. This can result over time with developers being able to borrow the full amount on funding a development project. These are what we call 'Full Doc' development loans. To get to this level of credit rating, the banks would want to monitor your development business, usually after your first project and will request semi-annual, quarterly and monthly cashflow analysis continuously. This is where the accountant plays a major role, which is why we work very closely with the accountants to provide them with this data.

14. How big can I grow my property development business through Landsplitters?

You can grow as big as you want within reasonable grounds. The important thing is to start small and grow at a pace in which you feel comfortable and safe and have control of the space in which you operate, and of course a pace that we feel comfortable and safe working with you. Remember, that none of us are locked into anything. All of us are here long term because we want to be.

15. What is the general description of the typical type of Landsplitters' client?

One type could be a self-employed family couple running their own business successfully and established for many years and working full time in business and are also very time poor. At the same time, they have accumulated equity whether in the form of investment property or paid off their own homes. Both have a passion for property.

Another type is a very successful business person who owns a medium to large size enterprise and has a passion for property but does not have enough time to do it.

Another is an employed professional earning a reasonably high income who has a passion for property, but no time or previous experience to develop it themselves. This person has purchased investment property over the last few years before coming on board with us and has accumulated equity as well as in their own home.



These are just some examples of our types of clients.

16. Does this type of property development suit everyone?

No, it is not for everyone. It will work for most people if done correctly, however, we cannot work with just anyone. The types of people that we will do these types of developments for, have to have a passion for property, a thirst for knowledge and learning new things, extreme discipline, have to be driven to succeed, and thrive on that drive, then have demonstrated this through their own track record in their own lives. Only then will they be able to keep up with our pace and the relationship will prosper for all parties into the future.

17. Can property values decline while I'm developing and cause me to lose money?

Yes they can. Although let us examine this a little deeper as this is probably one of the most important questions a developer would ask. The way we will attempt to answer this question is to look at ways to tackle things if this does occur.

When property prices have declined in the past, historically, they have tended to give us a little more notice in terms of time than some other asset classes have done in the past, for example, sharemarkets, which can decline significantly overnight and people can lose substantial amounts of money very quickly.

We, at Landsplitters, cannot guarantee that we will foresee a decline before it happens, however, the risk is less in undertaking this type of development than any other types of developments that are larger in scale.

As property developers, we do not rely on the economy increasing property values in order for us to make money. This is what investors do. We force value onto property. It is this forced value that is our margin.

The type of developments that Landsplitters will be undertaking for your business keep a larger proportion of the equity that is being created in the land, and not the construction. This is extremely useful as it creates opt out points if required within the 12–18 month cycle without having to finish the construction phase. That is, for a Splitter, if your circumstances during the project cycle suddenly change that warrants you to opt out of a project, this option is available. Also, with a Splitter, remember that value to the property is added at the 'DA' or development approval stage with council and then again at the construction stage. Opting out of a project is an option during any of these stages, simply by selling into the market for a profit. We do not make opting out before project completion usual practice as we believe it is our obligation to the community as developers to see a project through to the end when increasing density in an area and creating a higher and better use of an existing property. It is not all just about the money. This is the way we create a good relationship between us and the council.

The fact that the project cycle is only approximately 12–18 months in duration, we believe, also helps to contribute to lowering the risk of an economic cycle downturn affecting the project. In looking at other types of developments like five storey apartment building projects with forty to fifty apartments, this can usually take up to three years in project duration and is much harder to see forward and attempt to control economic risk. You would also be dealing with higher dollars than you would with a Splitter, much lower percentage margins than you would have with a Splitter and many changes could take place in the economy over three years.

As your business grows in future, you will get to the point where you are developing many Splitters concurrently. Each project would be unique and distinct as one Splitter on a separate property that can be located in another suburb or even another city. All of your projects would be mutually exclusive from each other. Your capital exposure would be diversified in many different projects on many different land parcels, unlike developing an apartment building where your greatest capital exposure is actually in the concrete wall panels or construction cost, on only a single parcel of land.

Another interesting aspect of risk minimisation in the development of a 'Splitter' is the sell-off of the front land parcel with the original house on it that was originally purchased, immediately after 'DA' approval is obtained from council and before the construction of the new house on the rear block commences. This decreases any debt exposure incurred from the purchase of the original property, leaving the door open to further borrowing for construction of the new house with a capital exposure that can be more easily managed.



18. What about the capital gains tax payable?

This is payable in Australia if you sell a property and make a profit. It is law and cannot be avoided, it must be paid. Your accountant will advise you further on this. All developers pay capital gains tax after selling a development and profiting. You do not pay it if you do not make a profit. We see it as a good sign if you pay a large capital gains tax, because obviously, you have made a large profit. Profits and taxes are proportional. We at Landsplitters see this tax as the fee payable to our government for the privilege of living in the best country in the world and for being given the opportunity to make lots of money.

19. Can I develop property in different geographic locations around Australia including my own city?

Yes you can. We will encourage this as your business grows. It is also a form of risk diversification. At Landsplitters, our systems cater for you to develop property in any geographical location within the three major Australian cities even if you live in another city to where your developments are situated. We will explain this further in our meetings.

20. Can I develop a combination of both Splitters and Duplexes as my business grows?

Yes you can. Again, we will encourage this as your business grows, and again this is also a form of risk diversification. Initially, you will usually start with Splitters, then as you grow, you begin adding Duplex projects to the mix.

21. What is a typical development cycle timeframe?

Generally around 12–18 months from acquisition date for Splitters and Duplexes.

22. Do Landsplitters take on new clients all the time?

No, we do not. We will take on new clients based on our resources and our capacity to service our clients. As we expand within our capacity, then there is room for new clients to join us. We are results oriented, so when we take on new clients, we deliver results. That is what we stand for.

All our new clients would generally come from referrals by our existing individual network which is the established centre of influence for our organisation.

Our company always operates at full capacity with our resources. That is, with our project managers and their time, as our existing clients are continuously expanding their businesses with additional projects. So, as we grow our project management team, we can also grow by adding on new clients. This management of growth within our company allows us the privilege of choosing who we want to be dealing with as our clients, so our referral sources prequalify all new clients before referring them to us.

In saying the above, this does not mean that we do not deal with the public. Some of our best and largest clients came to us off the street because they heard about what we do. They were not from referrals originally. They simply contacted us and it all began there.

If you are interested in becoming a client, and you have a passion for property, we would be delighted to meet you.