



# **Commercial Property Made Easy**



**The 9-Step Investment Formula**



**CHRIS LANG**

# Commercial Property Made Easy

*An Insider's Guide into how ...*

## The 9-Step Investment Formula *Can Help Guarantee Your Success*

Evaluate Some **Actual** Results



A Boutique 5-Story Building



110 Car Parking Spaces

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Geelong, Australia

## Did You Know?

- There is now a **FREE App** to help you assess (in 3 minutes or less) whether a potential property is suitable **for your shortlist**.
- From there, you can quickly **analyse the 18 key aspects** for each property like a pro does – **creating a simple after-tax cash flow** – to determine which one is the best.
- You **no longer need to lose sleep over the price you have paid** – wondering whether your lender will support it.
- It's rather easy to **learn the rules** and beat the Vendors' agents at their own game – by being able to **negotiate a great deal**.
- It is **time to take control**. By adopting a very simple technique, you can immediately take charge **when arranging your finance**.
- You may require a detailed due diligence report. However, there is **no need to outlay any money before you secure the property**.
- **Adding value** after you own the property is not overly complicated. You just need to **know the various quick-and-easy ways** in which it can be done.
- At tax time **when claiming depreciation**, most people unfortunately miss out on so much. Once again, **learning a few simple rules** will make sure that doesn't happen to you.
- **When the time comes to sell**, you don't really want to leave any of your hard-earned money on the table. By embracing the very latest in web marketing strategies, you can ensure you are “way ahead of the pack” and **achieve the results you deserve**.

If these are just some of the secrets you'd like to learn about Commercial Property ... this book will help you to capture a strategic advantage.

Simply read on and discover how to put *The 9-Step Investment Formula* into action.

## From the Author



Some people might say I have a reasonable pedigree, having handled well **over \$1 billion** worth of Commercial property deals (large and small) both for myself AND my clients.

Being an Economist and also a Valuer, it means that I tend to view commercial property rather differently than most.

Of course, you will appreciate: Before you're able to play in any game, you first need to understand the Rules.

However, it is only once you have fully mastered those Rules that you're able to become truly successful – which is precisely what I've strived to do.

And I am now happy to share with you what I discovered along the way in this book – being my 7th on Commercial Property Investing; and probably, the most action-oriented one so far.

You will find it is totally interactive with ...

- Heaps of valuable strategies,
- 37 minutes of audio material,
- Various helpful online elements,
- A whole host of free downloads, plus
- Quizzes allowing you to check your progress along the way.

You will quickly notice there is NO fluff involved here – simply hands-on, use-tomorrow strategies and techniques.

Actually, the book's title pretty much sums it up: **Commercial Property Made Easy**. It's where you are taken “behind the curtain” to discover just how everything works.

Wishing you every success.

A handwritten signature in black ink, appearing to read 'Chris'.

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# Gaining Perspective

You'll find this book to be an easy read, but with a huge payoff. Because, while the global uncertainty continues ...

## **Commercial Property Offers You a Wonderful Chance To Build Up Your Investment Wealth.**

Whether you are in your 30s and earning a good income, or you have just retired, or sold out of your life-long business what you need is a solid Plan that works.

You need a Plan, which allows you to quickly identify the emerging opportunities; plus, the Tools to analyse and choose the very best from among those potential opportunities. Fortunately, all the hard work has already been done for you.

After more than 45 years of careful observation, testing and constant refinement of everything you'll need ... this has all been condensed down into a simple **9-Step Investment Formula**.

And right now, this very Formula is here in your hands – complete with both *detailed written strategies*, plus *37 minutes of audio material*.

If you are seeking something more in-depth than what's contained here, you can always join a [Home Study Course](#) ... which will provide you with considerable Video instruction as well.

However, I'll leave that entirely up to you!

Because, once you've finished reading this book (and if you faithfully implement each Step of this proven Formula), you will then be well on your way to enjoying ongoing success as a commercial property investor.

And at the end of the book, you'll **evaluate the results** for two purchases.

Anyway, to give you a head start, why not settle back and join the trip taken by Tobi & Carol Johns, plus Frank Tennyson – who will share with you some of their insights from attending one of my full-day Workshops. And observe how they uncovered the power of this amazingly simple Investment Formula – for Mastering Commercial Property.

Finally, to extract everything from this book, you really should revisit what's included here at least two or three times.

## **The Key Players**



*You know, I was initially a little hesitant about attending Chris' Workshop about Commercial Property. You see, my wife Carol and I certainly did not achieve star results when we simply rushed into investing in residential property – which happened to be right at the top of the market!*

*We were influenced by the 'property boom' hype. Everyone around us was making bucket loads of money. They were leaving their full time employment to renovate homes, selling them soon after at a substantial profit. We thought we couldn't go wrong.*

*Our first mistake was when we signed the contract without really knowing the true value of the property. I suppose we bought it out of emotion rather than logic; and obviously, did not do any due diligence on it. We simply rushed into making a very quick deal, as we were fearful of missing out.*

*Commercial property has also intimidated me – how would I ever negotiate against the big players and high rollers? Were we out of our league?*

*Oh, before going any further, I had better introduce myself. My name is **Tobi Johns**. Both **Carol** and I are in our mid 30s and have been married for just under 10 years.*

*We have two young children and are thinking of having a third, soon. Carol stays at home looking after our children and is a full time share trader – so our exposure to Commercial property has been limited to listed property trusts in the share market.*



*I work at a large law firm in the city. One of my colleagues, Luke (who has built a portfolio of Commercial properties over the years with Chris Lang's assistance) suggested we attend this Workshop – to build up our knowledge, and help us make more informed choices.*

*With my being a lawyer, I'm the talker of the family. But Carol is into the solid 'facts and figures', and naturally the finer details. So, Carol was interested to hear Chris' strategies, on how to negotiate a better price, and maximise our tax benefits.*

*Our accountant had suggested we consider commercial property and take advantage of greater depreciation benefits.*

*So, as Carol and I went to grab a hot coffee available before the Workshop, we literally bumped into an intriguing businessman, who was also attending.*

*Oddly enough, he seemed to be quite awkward, as though he didn't feel like he should be there. Carol warmed to him immediately, as she also felt like a duck out of water! The three of us chatted for a while, then made our way into the room, and sat together.*

*His name was **Frank Tennyson**, a local successful businessman. Frank had come to Chris' Workshop, because he was now in the position to invest considerable equity from the recent sale of his business.*

*He wanted to learn exactly how he could obtain a solid cash flow from Commercial property; and how to properly analyse the various opportunities.*

*It was interesting to meet Frank, and he put Carol's mind at ease.*

*From what he told us, he had been very successful in his previous business dealings – by always doing thorough due diligence, and ensuring his corporate capital was safely invested. With his degree of business experience, I felt he wouldn't be here, unless he felt it was good value for the money.*

*Frank confided that, although he was used to making multi-million dollar deals through the expansion of his past Fibre-Optics business (with the building and purchasing of warehouses and offices for the company to occupy) it was quite different now, with it being his own personal investment – rather than under the company's banner.*

*Then he said something really interesting.*

*He was especially nervous about attending this Workshop, because of his rather high profile. You see, he felt that any of his peers or clients saw him at the Workshop, they would undoubtedly wonder why he was there - given their preconceived notion that he should already know this sort of information.*

*So, for different reasons, we were all here to learn; and were eager to see how the Workshop would unfold.*

Until now, you may have only been involved with what is considered Residential property.

And therefore, it's probably worthwhile outlining some of the key advantages Commercial property can offer you.



## Benefits of Commercial Property

- ✓ Commercial Property is a tangible investment. You can see it and touch it. Most people have a good fundamental understanding of property as an investment.
- ✓ Compared to shares in a company, a Commercial property cannot go bankrupt – and only rarely, the tenant runs into difficulty.
- ✓ If you chose well, Commercial property should maintain its value through difficult economic times.
- ✓ Generally, you can write your own terms for Contracts & Leases.
- ✓ Commercial property also provides strong returns with a stable income. The average annual net income varies from 5% to 8% depending on the type of property.
- ✓ Commercial leases are longer than Residential leases; therefore, your income tends to be more secure. Plus, your tenant generally pays the outgoings for you.
- ✓ You have a lower investment risk to Residential property and the share market.
- ✓ You can gain exposure to different sectors within the economy: Retail, Office and Industrial.
- ✓ Significant Tax Benefits: Depreciation on items of plant and equipment.
- ✓ You are able to hedge against inflation, as Commercial property tends to well outpace the CPI.
- ✓ You have the ability to add value through renovating, upgrading and subdividing; plus renegotiating leases, or actually changing the existing use.
- ✓ Leverage: With a relatively small deposit, you can borrow to invest in a larger-valued Commercial property.

You need to think of Commercial property investing as “a game”!

Sure, it is a very serious game. But nonetheless, it has a very clear set of Rules – just like any other game.

Learn those rules, and you can very quickly start to gain control over the final outcome.

## Understanding those Rules

*From the moment Chris started, we knew we were in for something special. He promised by the end of the Workshop, we would have the inside knowledge to “vastly increase our chances of success – simply by understanding the Rules of the Game”.*



*And to get our attention, Chris asked us to run through a little exercise – putting this slide up on the screen ...*

*(Just pause for a moment, while you undertake this short exercise)*

**THINK** of a number between '2 and 10',

**MULTIPLY** that number by '9',

**ADD** the 2 digits of your answer together,

From that single figure ... **SUBTRACT** '5',

Now, **CONVERT** this new number into a **Letter** ...

(Where: **1** = A; **2** = B; **3** = C; and so on)

**Think** of a European **COUNTRY** beginning with that **Letter**,

**Take** the **2nd Letter** in your Country's name **Visualise**  
a large 4-legged **ANIMAL** starting with that letter.

And then ...

**Give** your Animal an appropriate **COLOUR**.

*After I had jotted down my answer, I looked across to see what Carol had scribbled on her pad. And she'd written just what I had.*

*Interesting!*

*Frank was there on my right, so I took a quick glance at what he'd written. Again, exactly the same. Amazing!*

*But how could that be?*

*Then, Chris went on to explain that in this exercise he was like the investor striving for a successful outcome. And we (the audience) were like the marketplace with all its vagaries.*

*You see, we got to choose the initial number. Then, we chose the country ... the animal ... and its colour.*

*It was at that point, Chris surprised everyone by saying: "Raise your hands, all of you who ended up with a grey elephant from Denmark."*

*As you can imagine, a murmur of astonishment swept the room. And looking around ... ALL but a couple of hands were raised. (Perhaps mental arithmetic simply wasn't a strong point for the others.)*

*Anyway, Chris had quietly made his point!*

*And that was ...*

**Your Chances of Success are Greatly Improved  
Once You Understand the Rules of the Game!**

*You simply need to arrange all the various components to your best advantage.*

*Suddenly, there was a respectful silence in the room – as people eagerly waited for further gems of wisdom to flow from the rest of the Workshop. We certainly received our money's worth, from what was about to unfold.*

*Chris then got straight to the point and revealed what I was longing to hear – the three simple stages of his ‘9-Step Investment Formula’.*

*It was so disarmingly simple! And definitely Step-by-Step as he had promised.*

*Carol and I were over the moon, once we were given this insight into Chris’ **9-Step Investment Formula**. It provided us the clarity we needed – to be able to foresee what lay ahead; and, most importantly, in a very logical order.*

*Knowing this insider information simply gave me the confidence boost I needed.*





Let's establish something from the outset ...



There's one key issue you need to resolve:

“At what point during the Investment process (shown below) do you actually make your profit?”

Is it when you:



Where do you think it occurs?

**Simply jot down your answer.**

*Chris took us again through another brief, but very insightful, exercise, asking the room ... “at which stage in the process did an investor MAKE his/her money?”*



*I elbowed Carol and shrunk down into my chair.*

*It was plain as day that we had taken the completely wrong approach when we purchased our residential investment property. We always thought our money was made at the end of the transaction.*

*In hindsight, we purchased the property extremely overpriced. To sell it in a soft market would mean losing a fair amount of money. We are making repayments on a loan that is more than what the property is probably now worth.*

## Here's a little Prep-Work

Before launching into Step 1 of the Investment Formula ... you first need to get your hands on this rather nifty FREE App. And this App will take hours off the time needed for your preliminary analysis.



Simply [TAP to DOWNLOAD](#) this free App now.

When it comes to shortlisting your properties, you need to be in a position to quickly assess whether or not they “make the cut”.

Otherwise, it ends up taking you far too long; and can also become rather confusing.

### Why is this so Important?

Therefore, you need to have a clear set of **Investment Objectives** and **Buying Criteria**.

To help you with this: the App contains two short walk-through Videos, which will explain everything in detail.

What you need to do now, is watch these videos and take notes under the headings below.

# **STEP 1: High-Speed Filter**

## **Short-listing Your Potential Properties**

### **Your 8 Investment Objectives**

*(Make any notes you feel necessary after watching the App videos)*

Must have enduring value:

Generate ongoing cash flow:

Provide steady growth:

Promote super growth:

Maintain lending appeal:

Create future collateral:

Allow cost control (manage outgoings):

Lastly, offer tax benefits:

## **Your 12 Buying Criteria**

**The main things for you to consider are ...**

Tenant Calibre:

Lease Term:

Age of the building:

Flexible design:

Lease structure:

Little competition:

Good Position:

Emerging Trends:

Passing Yield:

Zoning:

Vendor Motivation:

*Being female, Carol wasn't sure if she was just picking things like colour over the performance when buying a car, or style over comfort when buying shoes ... but she thought property was all about POSITION, POSITION, POSITION!*



*I held up my hand and posed a question to Chris about Position against Competition. Which of the two is more important?*

*Chris confirmed what I was thinking. In the list of '12 Buying Criteria': merely having a good location is of little value, if you also have loads of competition nearby. It is funny how obvious these things are only after you become aware of them.*

*A little research into the area and its zonings will also uncover if any future developments could pose competition for you, which may not be initially apparent.*

*The Workshop had only just started, and both Carol and I had already gained so much value.*

*So far, her favourite epiphany had been learning about Super Growth: instantly adding value to the Capital Growth by subdividing the building. An investor with a keen eye can scout out properties not using the space effectively; and with a little redesign, you can add so much value information.*

*The more Carol listened, the more she began to see the massive benefits of investing in Commercial Property; and as Chris made us realise at the start of the Workshop: the main thing is to understand the rules of the game, and how to play it.*

*Frank leaned over and started telling us that there is potential to secure leases with Government bodies or large corporations which can be as long as 8-10 years!*

*Wow, that sure beats the hassles we've had with tenants moving in and out every 6 to 12 months.*

*Furthermore, corporate businesses look after the building so much better because they have an image to uphold; and, by having them regularly clean and maintain the building, there is far less wear and tear.*

*Another point of interest was that any Tax Benefits should be considered last – I know of many people who have always put “Tax” as their highest priority when making their investment or business decisions.*

*It was quite refreshing to learn that this should not always be the case; because, when you think about it, it could ‘limit’ your investment potential.*

*The Passing Yield was important to understand. Chris explained that this was the immediate return you will receive on the property.*

*A higher figure may look good on the surface. However, with retail tenants, there is the potential for the rental rate to rise or fall, if there’s a market review due soon.*

*It might look good now, but could easily be less, if the current rental rate is actually too high.*

### **Tying it all Together:**

The next process is to combine your Investment Objectives and Buying Criteria using the Hi-Return Filter App – so you can quickly rate all your potential properties.



This process helps you develop discipline; and enables you to combine all the key components into a clever matrix – to assist you in quickly short-listing your chosen properties.



## Hi-Return Filter

**Important Note:** Property rating does not need to be conducted by an experienced person.

Instead, it simply needs to be done by the same person (in other words ... through 'one set of eyes') so the rating is consistent.

**You should aim for an overall Rating of at least 70%**

		Your Investment Objectives								
		Enduring Value	Ongoing Cashflow	Steady Growth	Super Growth	Lending Appeal	Future Collateral	Cost Control	Depreciation Benefits	Rating 1 to 10
Your Buying Criteria	Tenant Calibre	✓	✓	✓	✓	✓	✓	✓	✗	8
	Lease Term	✓	✓	✓	✓	✓	✓	✓	✗	6
	Recent Construction	✓	✓	✓	✗	✓	✓	✓	✓	7
	Flexible Design	✓	✓	✓	✓	✗	✓	✓	✓	8
	Lease Structure	✓	✓	✓	✓	✓	✓	✓	✗	7
	Absence of Competition	✓	✓	✓	✓	✓	✓	✗	✗	7
	Good Position	✓	✓	✓	✓	✓	✓	✗	✗	8
	Emerging Trends	✓	✓	✓	✓	✓	✓	✗	✗	7
	Passing Yield	✓	✓	✗	✓	✓	✓	✗	✗	7
	Council Zoning	✓	✗	✗	✓	✓	✓	✗	✗	8
	Title Options	✓	✗	✗	✓	✗	✓	✗	✗	7
	Vendor Motivation	✗	✓	✗	✓	✗	✗	✗	✓	6

Your Property Rating Value is 71.9%

Calculate

*Carol's mind was whirling with information. There was so much to think about – to analyse, research and compare.*



*That's when Chris pulled out something else from his bag of tricks – the Matrix which allows investors to easily filter their list of properties, by comparing them with a simple rating system. Bingo, a solution!*

*This visual representation was what Carol and I needed. Within one 'snapshot', we could immediately see which properties met our most important Investment Objectives and Buying Criteria. These were highlighted, as they had a final figure of over 70%.*

*The good news was that Chris had designed an App, which took care of the whole collation of information – producing a quick and easy rating system.*

*During the next coffee break, Carol and I scoured the room trying to locate my work colleague, since we had missed him before the start of the workshop. We spotted Luke. There he was, deep in conversation with another attendee, obviously sharing a few jokes. His eye caught mine, and he winked with a smile, beckoning us to come over.*

*As we approached, he reached out and shook my hand, welcoming us both. He could tell by our demeanour that we had thoroughly enjoyed, and learned a great deal – just in the first session.*

*We started chatting about the process of the Hi-Return Filter. He shared with us some of the details of the Tools included on Chris' "CommercialPropertyMadeEasy.com website"; and explaining this was just one of the pieces of the specially designed Software.*

*It made the process so quick and easy. Plus, you did not need to be a professional in order to rate the properties. The important part was that the rating needed to be a comparison done by the one person, to ensure consistency.*

# STEP 2: The Final Judgement

## Financial Analysis Made Easy

Here is where you create a projected After-Tax Cash Flow (ATCF) for each property. It helps you calculate what is known as the IRR (the Internal Rate of Return) on the actual equity you invest in the property.



This single figure allows you to quickly and easily compare two or more properties that may have vastly different values (eg: comparing a \$500,000 property, against a \$5 million dollar property).

This process consists of collating 18 separate elements and distilling them down into ONE Single Figure for easy comparison.

And my Commercial Property GOLD Mentor Group were all given access to this Final Judgement software.

- 
- |                       |                           |
|-----------------------|---------------------------|
| + Purchase Price      | + Rental reviews          |
| + Stamp duty          | + Un-recouped outgoings   |
| + Acquisition costs   | + Ongoing management fees |
| + Due diligence cost  | + Depreciation            |
| + Loan to ratio value | + Holding period          |
| + Loan setup costs    | + Estimated selling yield |
| + Interest rate       | + Selling costs           |
| + Tax rate            | + Initial base cost       |
| + Passing rental      | + Capital gains tax       |
- 

 [TAP to listen to some live material](#)

What follows is an example of the summary reports the Final Judgement software will generate, to help you quickly and easily analyse your chosen properties.

Commercial Property Investor LAB - Final Judgement Tool (v5.3.0)			
Unipark Clayton - Assumptions			
Suite 63, 195 Wellington Road			
Acquisition Costs			
Contract Purchase Price			\$1,000,000
Stamp Duty			\$55,010
Acquisition Fee (After rebate of: \$6,557)			\$9,243
Acquisition Costs			\$11,200
Legals	\$4,200		
Due Diligence	\$3,500		
Loan Fee	\$3,500		
Other Acquisition Costs	\$0		
Total Outlay			<b>\$1,075,453</b>
LESS Borrowings @ 70.00%			\$700,000
Equity Required			<b>\$375,453</b>
End-Sale Details			
Anticipated sale price (\$107,279 @ 8.25%)			\$1,300,000
Selling Expenses			\$42,900
Commission	\$26,000		
Advertising	\$10,400		
Legals	\$6,500		
Net Sale Proceeds			<b>\$1,257,100</b>
LESS Loan Repayment			\$700,000
Equity Released			<b>\$557,100</b>
Capital Growth: 5.48% per annum			
Capital Gains Tax (Estimated)			
Net Sale Proceeds			\$1,257,100
LESS			\$965,530
Cost Base (Price + costs)	\$1,066,210		
Structural Depreciation	-\$100,680		
Capital Gain			<b>\$291,570</b>
CGT Payable	\$60,501		

**NOTE:** If your projections provided you with an IRR (your After Tax Rate of Return) of over 10% for a 3 to 4 year period, then that property is definitely worth pursuing. [For this property, the IRR was over 13%.]

You should initially make all of your **After Tax Cash Flow Projections** over a **3-4 year period**, even if you intend to hold the property for longer.

This is because, if the calculations don't shape-up well over 3-4 years (when you have your most intensive costs: Acquisition and End-Sale Costs), then you are misleading yourself.

It will always look better, the longer you hold it.

*This financial analysis segment really appealed to me – because I appreciated how the process would enable us to compare apples with apples.*



*As an Investor, you should project your ‘After Tax Cash Flow’ on each property over a 3 to 4 year period.*

*I wondered why Chris had chosen such a short timeframe, especially, when the properties would most likely be held for much longer.*

*My thoughts were interrupted when Chris (who must have read my mind) told us the reason. He said it was because the costs were highest in the ‘Acquisition’ and the ‘Selling’ stages.*

*So, this reporting process took into account all these costs and displayed results over the 3 to 4 years – simply because if the figures don't stack up in this timeframe, the investment really isn't viable.*

*Sure, it is OK to continue to hold the property longer and reap greater returns. However, the last thing you would want is to be forced to hold a property longer, waiting for the investment to become ‘profitable’.*

*It is smarter to have the option to sell earlier and have 3 to 4 years as a benchmark for minimum performance.*

*Chris stated that a final figure of 10% should be considered the minimum. And anything above that means a property is certainly worth considering.*

## STEP 3: Sleep Soundly

Pre-valuing ... to Avoid Sleepless Nights



[TAP to listen to some live material](#)



### Traditional Investing & Lending

#### **With Conventional Thinking ...**

You decide to buy a property, and you go to the bank or a finance broker; they tell you they'll lend, and you agree on terms.

THEN you sign a contract on the property and the financiers arrange a valuation – to confirm whether or not you've paid the right price.

### Savvy Investing & Lending

#### **Buying with a Pre-valuation ...**

This involves “pre-valuing” the property to establish the figure up to which a valuer would support.

Therefore, you can calculate the precise loan-to-valuation figure – which means you can sleep soundly with no concern about having to raise extra funds.



## **Back to Carol and Tobi ...**

*All through the Workshop, Chris has been encouraging us to “think outside of the square”. And not just take what others say as ‘facts’ – we should always question things.*



*Apparently, we’ll hear more on that in Step 5. But by doing this, it actually allows you to be in control of the situation – which is really ‘playing the game’ to your advantage.*

*Simply because things have always been done a certain way, doesn’t mean this has to be the way things need to be done in the future.*

*And as I mentioned earlier, we had felt intimidated by the thought of investing in Commercial Property, because we’d have to deal with people who I saw as ‘high rollers’. Well, I felt the same intimidation when thinking about dealing with the banks.*

*By getting a ‘Pre-valuation’ done through one of Chris’ Trusted Consultants, this would give us the comfort we needed. Now, we can now sleep an easy, knowing that ALL the funds we need would be available.*

*This whole concept was a breath of fresh air – compared to our previous finance experience – where we felt we didn’t have any other options when the bank refused to provide the funds we needed.*

## **Here’s a quick Quiz for Steps 1 to 3 to check on your Progress.**

And the answers can be found at the end of the book.

Q #	Questions for Steps 1 to 3
Q1	When identifying and short-listing the right investment properties, the process involves matching up your I_____ O_____ with a number of proven B_____ C_____. And then compare each of your properties.
Q2	Enduring value is a requirement over the short term. True or False?
Q3	The combination of an increase in the R_____ and also the firming of the S_____ Y_____ gives you your ongoing Capital Growth.
Q4	Purchasing a larger property then s_____ is called Super Growth. You are buying "wholesale" and selling "retail" – giving you growth that is faster than the market.
Q5	Building up your equity within a property enables you to purchase more properties in the future. True or False?
Q6	It is preferable that the tenant pays the net rent and outgoings, as part of their lease. True or False?
Q7	Tax benefits are THE most critical component and needs to be the very first item for consideration. True or False?
Q8	Having a flexible design will give you the option for S_____. And a compact C_____ is preferable, as it enables a passage from the entry to the fire stairs and toilets that least affects the floor area available for lease.
Q9	What is the correct definition of the Passing Yield? _____
Q10	What is more important; the Position or less Competition?
Q11	What is the technical term for the After-Tax Return on your equity for each property?
Q12	What figure is the IRR showing you? _____
Q13	What does the IRR allow you to do? _____
Q14	Is it preferable to source your finance through the one bank or through a mortgage broker? _____

## STEP 4: Negotiating the Deal

### Extracting the Best Win-Win Outcome



*You can't imagine how excited I was about this next segment in the Workshop – Negotiation.*

*Since we purchased our residential property, I have been totally embarrassed by the way we conducted the negotiation. And I knew we really needed to learn some new skills, and pretty quickly.*

*We had gone into the residential deal ready to accept anything. That was simply because we thought the market was going to continue to skyrocket. Plus, we counted on making money once we sold it, around 12 months later. Impatience and greed definitely got the better of us.*

*As I mentioned before, we thought our money would be made at the end when the property was sold.*

*So, when I heard Chris say that the key to our success was to fully understand each deal, I sat up in my chair.*

*I knew he was 100% right. Internalising information used to be one of my weaknesses. I would always hurry over anything new. I really don't know what I thought rushing would achieve.*

*I think I was trying to skip to the 'good' parts, not realising that every aspect was just as important as the next.*

*I learned through investing in shares (and our residential property venture) that you will never obtain and, most importantly, retain your profits ... until you fully 'internalise' the facts and figures about the transaction.*

*What I mean by 'internalise,' is to dissect and digest all of the information so that your actions and responses come more from a subconscious, rather than a conscious level. In other words, they are in effect automatically – almost intuitively.*

*As you can appreciate, the actions we take through habits all come from our subconscious mind.*

*They are mainly automatic responses, conditioned in us since we were children. That is exactly why we find it so hard to change our bad habits. Habits, whether good or bad, are so easy for us to act out.*

*It's not until we internalise this new information to make it 'habit', that the new actions will ever feel 'natural'.*

*Only when you know all the information really, really well – if there is something wrong with a particular deal – will it stick out like a sore thumb.*

*Therefore, I was so glad that Chris bought up that point. It was an ongoing 'discussion' that Carol and I have had. Carol just didn't seem to understand how necessary it was to ingrain that new information by going over and over it. Reading things once (or even twice), just isn't enough.*

*You know, Carol would get something new, like a video camera, and not even bother to read the instructions. She thought trial and error would be fine.*

*I think in some cases, you can get away with it; but certainly not in the world of Commercial property investment.*

There are 3 Key Elements to  
Negotiating a Great Deal



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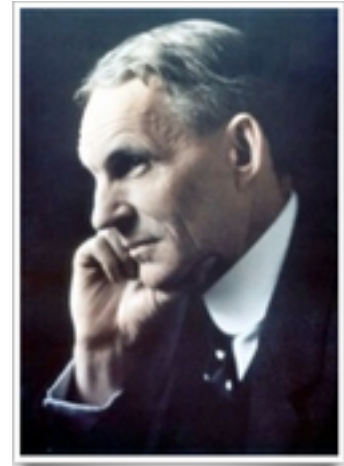


- ☒ Power
- ☒ Time, and
- ☒ Information

**Power is based on perception:**

If you think you've got it – you've got it;  
If you don't think you've got it, even though  
you've got it,  
you haven't got it.

Henry Ford



## **Your Notes from the Audio**

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**Power:** A Negotiation is not an 'event' ... it is a 'process'.

**Time:** Time builds confidence & commitment into the deal.

**Information:** Identifying the other party's motivations.

## Negotiating Tools and Outcomes:

APPROACH	The Result	Outcome
<b>Convince</b>	You Win – They Lose	Short Sighted
<b>Capitulate</b>	You Lose – They Win	Very Costly
<b>Compromise</b>	You Lose – They Lose	Unsatisfactory
<b>Collaborate</b>	You Win – They Win	Rewarding

*I really liked the way Chris started out explaining the Negotiation process. The aim should be for a Win/Win outcome.*



*In society, it is typically a ‘dog-eat-dog world’ where you always feel that someone has to lose, when finalising a deal. It is either them, or you.*

*Frank nudged me, snapping me back from my daydream tangent. He whispered that he wished he had learned better negotiating skills in his earlier business days.*

*Although he’d been very successful in his business dealings, Frank always felt he compromised too often. He was a bit of a softie. As stupid as it may sound, he was afraid people wouldn’t like him, if he came down too hard.*

*It was interesting to hear Chris say that it was better to receive a Cash or Bank Guarantee as a tenant’s security deposit then the usual Directors Guarantees or by conducting in-depth credit checks.*

*His reason being that Directors Guarantees are virtually worthless these days – especially if the assets are held in their spouses’ names.*

*Chris went on to explain a few different definitions that fell under the “Retail Tenancies Act”.*

*He pointed out that even businesses like solicitors (who are situated below the 2<sup>nd</sup> floor of a building) fall under the retail classification. Whereas, a solicitor on the 11<sup>th</sup> floor wouldn’t.*

*I must have shown my alarm because Carol asked me what was wrong. I told her that my firm was being charged Land Tax within their lease, even though Chris had just mentioned that retail tenants were not obligated to pay it.*

*You see, my firm is located on the ground floor, so (in most States) would be classified as a retail tenant even though it’s an office. The reason is because we deal directly with the public.*

*Next, we looked through a real Purchase Proposal. In true great negotiation style, Chris showed us how to include all the variables that were important to us – and at the level of what we would ideally like.*

*This approach will help you find out what is important to the other side – in particular, their reaction to the Price and the Settlement. And this will identify exactly where their motivations lie.*

*I loved the last point (within Part C of the Due Diligence clause) that Chris made.*

*It stated, “Any other matters considered prudent by the Purchaser”.*

*This would give us scope to bring up other points we may not have even considered yet. And, it would give us the option to avoid the contract, if something wasn’t quite right; or negotiate some price adjustment, if we chose that course.*



## Notes on Negotiating

*(Make any notes you feel necessary after listening to the earlier Audio on Negotiation)*



Your Negotiating Variables (Purchasing):

D\_\_\_\_\_.

C\_\_\_\_\_ F\_\_\_\_\_.

D\_\_\_\_\_ D\_\_\_\_\_.

P\_\_\_\_\_ P\_\_\_\_\_.

S\_\_\_\_\_ D\_\_\_\_\_.

D\_\_\_\_\_.

Your Negotiating Variables (Leasing):

L\_\_\_\_\_ P\_\_\_\_\_.

R\_\_\_\_\_.

R\_\_\_\_\_.

O\_\_\_\_\_.

S\_\_\_\_\_.

I\_\_\_\_\_.

## When Leasing ...

1. Leases are getting shorter rather than longer (3 year average).

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2. Focus more on the lease term than the % annual review.

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3. You can fix your loan for the term of the lease; therefore the longer the lease terms, the better.

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4. It is also more attractive to secure a longer lease for a better Price on resale.

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5. Seek a 6-month Bank Guarantee (or at least 3 months) instead of Directors Guarantee. (Some tenants with little history actually have good asset backing).

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## **Summary: The Art of Negotiation**

- Negotiating is a part of our everyday lives.
- No one should lose out of the deal. It must be cooperative.
- The secret is in finding out what the other person wants. Don't simply assume.
- Both parties' ideals are never the same. At the very most, there may be the same items on the list, but always in a different order. Therefore, you need to find out what is on their list and in what order.
- Framing the Purchase Proposal variables to the extreme of what you ideally want ... will enable you to find out through the response what is important to the other party.
- Initially seek 21 business days for your Due Diligence Study – because that effectively gives you 1 month but doesn't really seem that long. (And 10 business days is actually a fortnight.)
- The Pricing and Settlement quoted within your initial Offer is another way to help you to find if the vendor is highly motivated. Especially, if they want the settlement timeframe reduced.

### **Due Diligence before sale:**

- By the time you have collected all your information, the property could well have been sold;
- Plus you have outlaid money when you might not achieve a purchase;
- Effectively, the offer you make takes into account any impediments you have found in the property.

### **Due Diligence after sale:**

- Here, you make it a condition of the contract – which allows you to have a “second bite of the cherry”, with any impediments you may subsequently find.

# STEP 5: Validate Your Purchase

Due Diligence to Confirm What You've Bought



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What's proven most successful over the years is to never confront vendors over the representations they make about their property.

Simply accept all they tell you as being true ... but then reserve the right to verify those aspects during the Due Diligence period.

## Legal Documentation

- Contract clauses
- Title details
- Lease details

## All Financial Aspects

- Rental details
- Rent reviews
- Outgoings
- Capex (Capital Expenditure)

## The Building's Condition

- Structural Fabric and Equipment
- Building permits
- Essential Services Compliance

## Validating Your Purchase

To ensure that you obtain the best possible PRICE and TERMS:

- ALWAYS “believe” what the Vendor says about the Property;
- BUT, simply reserve the right to check it out, thoroughly.

Invariably, you'll be able to negotiate the best Commercial terms by keeping the vendor onside.

1. Document the deal first, and then ...
2. Take time to investigate what you've bought.

### Scope of the Physical Due-diligence Task

- Architectural
- Structural Aspects
- Mechanical Services
- Electrical Services
- Hydraulic & Fire Protection

\* \* \* \* \*

*Then, Chris pointed out something I would never have considered.*

*Often, compliance with Essential Services requirements can be a good negotiation point when making a purchase. The building may not comply if the vendor cannot produce a Certificate.*



*This is a great negotiation tool, and a great potential selling tool. Most states require regular (annual) audits of the Essential Services: fire doors, fire extinguishers, electrical equipment, etc. These audits verify the building complies with the Essential Services requirements.*

*You need to ensure that the tenant's lease covers these aspects. If their partitioning gets in the way of the Exit signs then they are the ones who need to rectify it and, thereby, ensure the various legislative requirements are met.*

*What impressed me was that Chris' approach ensured the reports prepared by the consultants also included a solution to any problems found. It's so important to engage a professional who has much more knowledge and experience than we have in these areas.*

*I had to laugh a little when Chris was explaining that the processes were virtually the same when purchasing a lower priced property as a significantly higher one; it reminded me of a lesson I had learned when Carol started share trading.*

*We learned that the processes must always remain the same, regardless of whether you are trading with simply \$10,000 or \$10 million dollars. The only difference is that there are extra zeros on the end.*

*What people tend to do is change their strategies just because there is more (or less) money involved. When, in fact, your approach needs to remain consistent.*

*Of course, there will most likely be a longer list of items for larger properties. You just need to be mindful that you are not changing something simply because the 'value' alters.*

# STEP 6: Lock in your Loan Terms

## How to Beat the Banks



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# You need to confirm your source of potential finance BEFORE you sign any Purchase Contract.

### Ideally you should:

- Work closely with a competent Finance Broker.
- Depending on where you are in the Property Cycle, you should fix your Interest Rate for the Length of the Lease (or for as long as you can).
- Make sure it's you who instructs the Valuer.

But why is it so important for **YOU** to instruct the Valuer?

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*By now, my thought process had totally shifted. Learning how to be in control of the finance from start to finish was a real eye-opener.*



*It made so much sense for us to be the ones instructing the Valuer. That way, our broker could email it to several lenders to obtain their “best proposals”.*

*And not until we had satisfactory paperwork from our chosen lender ... would the valuation be assigned across to them.*

*This would ensure there were none of those last minute “extra conditions” being introduced by the lender, just weeks from settlement when they could simply hold you to ransom.*

*Anyway, thinking further into different finance situations, I raised my hand and asked Chris “How do properties that are untenanted fare, with gaining finance?”*

*He explained that, unless you have substantial cash reserves, it will be highly unlikely that you would obtain finance. The reason is not what the valuation would come in at; instead it would come down to your ability to service the loan.*

*It would be best to negotiate a rent guarantee from the vendor. And definitely for 3 years, rather than for merely a 6 months. That way, the vendor is far more motivated to find you a tenant.*

*In the case of a 3-year rent guarantee, the banks will be more likely to approve the finance. Otherwise, as I mentioned, they will probably require you to have substantial other income (or cash reserves) to support the loan.*

*If you do not have large cash reserves, it's better to remove untenanted properties from your initial list of potential properties.*

*Over lunch, we were lucky enough to have Luke personally introduce Carol and me to Chris, and we sat down to eat at the same table.*

*It was a great opportunity to pick Chris' brain and gain further clarification on some of the information we had gone through during the morning.*

*Chris provided some insight into his background in Commercial Property and how it became his passion.*

*I had to find out more about his various websites – so I peppered him with questions about all the Tools available within them.*

*Carol and I are both very 'time poor'. Carol spends most of her time looking after our kids, and studying the share market; while I work long hours at my firm.*

*So, the idea of having a team of professionals (all hand-picked by Chris) at our disposal was absolutely brilliant.*

*Plus, these professionals could give us the backing of all their years of experience, with systems and tools already developed and tested.*

*This had tremendous appeal. In fact, this was the very thing that actually got us down off the fence; and made us decide to build our Investment Portfolio with Commercial properties.*

*Chris mentioned he would be covering several innovative marketing strategies after lunch. These strategies would allow investors to accurately monitor the progress of their marketing efforts.*

*I looked up and saw Frank heading our way; I waved to catch his attention, pointing to the empty chair next to me. I introduced him to Chris.*

*Chris continued to describe the marketing campaign response system, telling us how it displays statistics to investors (in 'real time'), so that they are also aware of how many serious contenders they might have for their property.*

*Frank told us how he had been in charge of the marketing for many of his companies. He said when he first started in business, he never bothered to collect information about his leads – until someone explained how vital it was, many years later.*

*When he started recording the sources, he found that the leads did not actually come from where he thought.*

*Collecting and analysing such information is very important – it's the only way a business can successfully target market into the future. And it's no different for the Commercial property investor.*

*It would seem that most selling agents cannot tell you (with any accuracy) the exact split-up of where their enquiries come from. So, you need to know how to arm yourself with this knowledge.*

*Otherwise, you are wasting your advertising dollar.*

*Then, Frank steered the conversation to the Final Judgement software. Like us, he was very excited by the software and its capabilities – because he had never seen anything like it before.*

*He was impressed with its reporting output – being both detailed, yet concise. The clarity of the information was important because he didn't want anything that was hard to understand or interpret.*

*Frank was telling Chris of his previous acquisitions – both in buying and building commercial properties, for his previous business and how it had been an unemotional process.*

*But now, it was his own hard-earned money that was on the line. And so, he needed to be even more thorough in his analysis.*

*Frank mentioned, during his previous property researching phases, that he had not compared anywhere near as many of the elements as Chris had put together – to create the same depth of Financial Analysis in the reports.*

*And now looking back, this was probably why he needed to hold the buildings for such long periods of time – so his firm could fully recoup all the costs involved.*

*He had always believed that property was a long-term investment; never dreaming you could resell within 3 to 4 years and make a decent profit.*

*The IRR (the After Tax Return) on his previous properties had certainly not been over 10% per annum; and he now understood why they took so long to perform.*

*The mistake was in underestimating the real costs associated with purchasing and maintaining the properties; and his past due diligence had been nowhere nearly as effective as he had initially thought.*

*Like most of us, Frank's business philosophy was 'Never Re-Invent the Wheel'. So, he was delighted that Chris could make available some "fool-proof" tools – to prevent him from making the same mistakes again.*

*Chris picked up on Frank's sudden realisation and mentioned that the Tools had been created through an ongoing process of "trial and error". They were there to help simplify our analysis, and make it far more effective.*

*Frank was over the moon! Now, he had all those tools and strategies available at his fingertips – to effectively short-list and compare properties of different values, and ensure a solid cash flow on his investments.*

## GST Considerations:

- If the building has a lease in place, the sale does not attract GST.
- If there is no tenant it would normally attract GST – but you can claim back any GST in your first BAS lodgement.
- If you need to pay GST on the purchase price, initially opt to pay monthly when you register for GST. This way, you can claim back what you've paid in the month following settlement.



From there, you can change your lodgement period to quarterly or annually.

- If your property is earning more than \$75,000 (the current trigger point for GST), then it is best to collect the GST throughout the year from the tenant AND then pay it annually.

The benefit is that you can earn interest on this money. (Just make sure you keep it aside in a separate account, so you don't spend it.)

- On the issue of Rates & Land Tax.

If YOU pay these charges, then GST does not apply. HOWEVER, if your tenant pays (or reimburses you for) them ... then, GST needs to be collected from the tenant and included in your BAS returns.

## Quick Quiz for Steps 4 to 6 to check on your Progress

And the answers can be found at the end of the book.

Q #	Questions for Steps 4 to 6
Q1	What is the minimum number of variables you should have to negotiate?
Q2	Which negotiation variable should you keep up your sleeve? D_____.
Q3	When renegotiating a lease, it is best to try to get the longest term you can. True or False?
Q4	Longer-term leases are more attractive to you for resale and refinance reasons. But shorter leases are becoming more common (e.g: __ years)
Q5	Why would you decline a Directors Guarantee over a Bank Guarantee, when negotiating your leasing?
Q6	What is the minimum period you should seek for a Bank Guarantee?
Q7	If your due diligence is unsatisfactory, you are entitled to have your deposit is returned in full. True or False?
Q8	If there is misrepresentation of the lease details, is that grounds for avoiding the contract.
Q9	Is Essential Services Compliance (ESC) a helpful negotiation & selling tool?
Q10	Should the Tenant Lease include ESC items?

# STEP 7: Your Tax Benefits

Capture All the Depreciation that's Yours



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- Who collates the depreciation schedule? – a Quantity Surveyor or your Taxation Accountant?  
\_\_\_\_\_
- Land is not depreciable.  
Is this True or False? \_\_\_\_\_
- Depreciation diminishes greatly after the first \_\_\_\_\_ years.
- Depreciation occurs from the date of the contract. Is this correct:  
Yes or No? \_\_\_\_\_
- Which mostly has more depreciation benefits: A shopping centre or a retail strip shop? \_\_\_\_\_

There are two types of allowances:

**Division 40:** Depreciable plant & articles  
Carpet, Light Fittings, Equipment, etc)

**Division 43:** Capital Allowances & Structure



## Division 40:

### Depreciable plan & articles

(eg: Carpet, Light Fittings, Equipment, etc)

Each component of your building attracts a different annual rate of Depreciation. Here are some examples of how they vary.

Mechanical - Air Conditioning / Ventilation	11.25%
Mechanical - Ventilation	11.25%
Mechanical - Hot Water Service	7.50%
Mechanical - Heating	15.00%
Electrical - Light Fittings, Switchboards, Etc.	7.50%
Emergency Warning Indicator System	15.00%
Lifts	9.00%
Fire Protection	7.50%
Carpet	30.00%
Furniture and Fittings	11.25%
Staff Amenities - Sanitary ware	7.50%
Curtains and Drapes	22.50%
White Goods - Cooktop, Oven, Dishwasher, Etc.	7.50%
White Goods - Refrigerator	11.25%
White Goods - Washing Machine	22.50%
Gymnasium Equipment	15.00%
Gas Installation	11.25%
Security System	22.50%
Data and Communication	37.50%
Swimming Pool - Structure	3.00%
Swimming Pool - Equipment	11.25%
Sauna, Spa Baths, Etc.	11.25%
Demountable Partitions	7.50%
Signage	7.50%
PABX and Telephone Installation	7.50%
Plasterboard Tenancy Partitions	2.50%
Glazed Tenancy partitions & Doors	2.50%
Extra Blinds	7.50%
Building Allowance	2.50%

**Note:** In strata-titled buildings, you are allowed to claim your pro-rata share of the lifts, air-conditioning and other common-area components.

*Following along with the depreciation example Chris showed us, it was astounding that it was possible to shelter up to two-thirds of the initial annual rental income for tax purposes.*



*Another interesting point was that (for Strata-titled buildings) we would be entitled to claim a pro-rata share of depreciation on the common-area items ... such as lifts, air conditioning and the security system. Something I would have never thought possible.*

*So the amount of claimable depreciation very much depended upon the type of Commercial property, how long you've owned it, and also who installed the fit-out items.*

*Now, I can see why our accountant was so adamant that we look into Commercial Property. There were just so many more tax benefits available. Obviously, it is the domain of experts to come up with a detailed depreciation schedule, but a great way to improve our bottom line.*

*However, I am thankful for Chris' warning. Depreciation should not be the main consideration when deciding upon a property to purchase. It's clearly important – but needs to be viewed as the “icing on the cake”.*

How much of your Property is Depreciable?



Type of Property	Division 40 Proportion
CBD Office	30 - 55%
Office Fit-out	40 - 80%
Shopping Centre	30 - 60%
Industrial Property	10 - 45%

#### **Comment on Depreciation:**

As a **Buyer** you DO NOT want the Contract to mention any written-down value for 'Plant and Articles' – because that sets the point from which you can further depreciate.

If the contract is 'silent' as to depreciation (at minimum it might list the chattels, but it doesn't specify a value for them) ... you then have the right to have a Quantity Surveyor apportion the contract price between the land value and the building.

Thereby, allowing you to up-value all the depreciable assets (even though they might have been written off completely for tax purposes); and re-depreciate them at their current-day value.

## STEP 8: Adding Value

### How to Manage and Improve Your Investment



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#### Super Growth & Maintenance

After Settlement is when you start to implement your “Super Growth” and “Maintenance” Strategies.

- **Subdivide the Title**

Even most Strata Titles can actually be subdivided. First, it simply needs to be resurveyed. Then, you can apply for separate titles (provided the unit liability or entitlement of the two new titles does not exceed the original unit entitlement or liability).

- **Conduct Essential Services Inspections**

Ensure compliance review of fire doors, fire extinguishers, electrical equipment and the like.

- **Refurbish and Upgrade**

There are often clever improvements you can make. Your aim should be to add \$3 for every \$1 you expend.

- **Implement a Preventative Maintenance Program**

Progressively spread your program over several financial years – to meet cash-flow capabilities and make these works tax deductible.

#### Then, after 12 Months ...

You should strive to keep your Property in “ready-to-sell” condition.

## 6 Key Facts

You decide upon the correct answers.

1. You can subdivide a Strata Title, even when you still have a lease over the entire property. **True or False?**
2. You are not obliged to do the necessary changes to the building, such as 'Fire Access' for the extra titles, until you are ready to sell as separate titles. **True or False?**
3. Additional flexibility is given to future purchasers to sell off one of the Strata Titles if they need to access some of their cash. This becomes a marketing plus for you as the seller. **True or False?**
4. There could be a delay in conducting the Essential Services Inspection. **True or False?**
5. Older buildings must have a Log Book to comply with the Essential Services Inspection. **True or False?**
6. A Compliance certificate is another handy selling tool. **True or False?**

*Subdividing the Title was an idea that certainly appealed to Carol and me.*



*Our philosophy for life is to create ‘options’. And this was one of those scenarios that would allow us flexibility, and certainly, potentially larger gains in our favour, later.*

*Without specifically saying it, I understood what Chris was getting us to do. He was ensuring investors were proactive, by taking the right steps in a timely fashion. In other words, arranging the title subdivision now when there are no time pressures.*

*That way, should anything unforeseen spring up the property would be highly saleable and in its most appealing format.*

*Adding value could be done in so many ways – especially in forms that were low in cost, and most tax effective.*

*Depending on the age and layout of your building, it should cost less than \$10,000 to create two or more separate titles.*

*And what amazed me was that by doing so, it could potentially add many times that outlay to the value of our property straight away!*

*And the reason being?*

*If we were to buy a 2-level office for \$800,000 and create separate titles for each floor ... THEN our market would be \$450,000 to \$500,000 buyers, and NOT \$800,000 to \$900,000 buyers.*

*Therefore, we could simply widen our market by making the separate parts of the building more affordable.*

## STEP 9: Stealth Marketing

Leave Nothing on the table when you Sell



### Traditional Marketing

With Traditional Marketing ... the Success of your Selling Campaign is typically measured by:

- \* The total number of on-site inspections generated for the property, principally from the daily media.

Traditional Sequence	Buyer Timeline
Media Advertisement appears. Phone call to Agent. Property Report dispatched.	Day 1
Prospective buyer receives Report. Inspection arranged.	Days 2-3
Preliminary Analysis occurs.	Day 4
Inspection takes place. Advisors contacted by Buyer. Further Reports sent to Advisors. Requests Contract Documents.	Days 4-5
Advisors receive Reports. Contract Documents arrive.	Days 5-6
Advisors request further information, and give their advice.	Days 7-9



## Stealth Marketing

However, to be truly effective, your Marketing needs to focus upon the actual number of highly-qualified buyers your campaign generates.

And you are only able to do this by adopting the latest cost-effective “Stealth Marketing” Strategies.

Stealth Marketing Sequence	Buyer Timeline
Media Advertisement& Direct email campaign. Prospect views the Website. Preliminary Analysis occurs. Advisors contacted (from Website). Contract Documents are available online.	Day 1
Advisers view information on website, and prepare to give their advice. On-site Inspection is arranged.	Days 2-3
Inspection occurs with the Buyer's advisors fully briefed.	Days 4-5

## Cost Comparison

Traditional Campaign	Cost
Advertising	\$13,280
Brochure (2,500 A4 2-sided colour)	1,850
Property Report (100 bound 20pp)	740
Direct Mail Campaign (2,000 @ \$1)	2,000
On-site Board	695
<b>TOTAL</b>	<b>\$18,565</b>

Stealth Marketing Campaign	Cost
Media Ads	\$9,870
Website Production	1,500
Modest Brochure	650
Direct-email Campaign (4,400+ Investors)	No cost
On-site Board	695
Sundries	120
<b>TOTAL</b>	<b>\$12,835</b>

## Comparing the Results

Campaign Style	Campaign Costs	Buyer Timeline
Traditional Marketing ...	\$18,565	7-9 Days
Stealth Marketing ...	\$12,835	4-5 Days
<b>Potential Savings</b>	<b>\$5,730</b>	<b>3-4 Days</b>

## The Rationale

If you dissect this Stealth Marketing strategy, you will discover it merely follows a proven 3-Stage process used for direct marketing:

1. You provide potential buyers with an “Irresistible Offer” (via your Ad, Brochure or email) with links to where ...
2. They can quickly confirm the property right for them (on the “Landing Page” for the website) from where ...
3. You provide them access to ALL the details and information about the property – but only when they have CHOSEN to discover more.

As you now realise, this is very much “**Pull**” marketing , as opposed to the traditional, in-your-face “**Push**” marketing – which is quickly losing its appeal and effectiveness.

You’ll also notice (when you click on the links below) how the detailed information is actually provided in a story-form ... quietly drawing the reader in, and building confidence for the property as story unfolds.

## Stealth Marketing in Action

So, let’s now take a look at two examples where my clients have followed the 9-Step Formula and used Stealth Marketing strategies – to successfully extract all they could from each property.

As you click on the links below, you need to imagine you have just read a compelling advertisement (or email) about each property. And you are now about to embark on the 2nd Stage – of finding out more about the ...

- [Car park in Docklands](#)
- [Boutique building in Hardware Lane](#)

You will notice the need to register as move to Stage 3, where potential buyers are required to provide their contact details.

Importantly, this indicates genuine interest; and also helps to screen out all the “tyre-kickers” as well.

Furthermore, your selling agent is then able to spend his (or her) time focused solely on the “real” players.

## Making it Work for You

Stealth Marketing is most effective for commercial properties worth more than \$2 million. However, the strategy will certainly work for smaller properties – it's just not quite as cost-effective. Even so, the results you'll achieve will be way above normal

Although both these examples above were for properties sold by Tender, you will find that Stealth Marketing works equally well for Public Auction.

The secret lies in making ALL the information quickly and readily accessible from the outset.

Thereby, "forcing" potential buyers to reveal their interest in the property – in order to gain access to that vital information.

## Your Dedicated Website (a Quick Overview)

- The Headline in your Ad (or direct-email Campaign) needs to capture the reader's attention. The aim is to entice people with real interest to click through to the website.
- Simply use a short, well-worded advertisement telling the reader ... WHERE, WHAT and HOW they will benefit from buying the property.
- The Website should be written as a story and clearly, from the buyers' point of view.
- Prospective buyers are delivered everything directly to their desktop – walking them through of the various features and property details:
  - The Property itself
  - Video or Photo Slideshow
  - Current Revenue
  - Existing Plans & Concept Plans
  - Zoning & Legal Package

Then, your selling Agents are able to spend their time conducting on-site inspections with only your highly-qualified prospects.

The website also has a section where the prospective buyer can refer their advisors back to the website – to investigate all of the information on their behalf.

*Stealth Marketing was not something I had anticipated hearing about at the Workshop.*

*Over the years, I had done some marketing courses but not specifically related to property.*

*However, I would have expected them to be basically similar, in principle.*

*However, I've got to tell you. This was by far my favourite segment of the Workshop. Once you learn and understand the process, it was the most logical and obvious marketing method to and adopt.*

*Importantly, your Costs are slashed considerably by using the technology. But in doing so, this actually enhanced the quality of the information supplied – whereas, normally, the quality often suffers whenever costs are reduced.*

*With my previous marketing experience, I would have gone down the track of putting too much information into the media advertisement. Mainly because I was taught that you need to tell people up front, the benefits and features of your products.*

*With Stealth Marketing, all you need is a modest advertisement designed solely to capture the attention of the right audience.*

*Brilliant!*

*It is better to spend the time crafting that strategic advertisement to drive qualified traffic to the website – where you can explain the entire story and in considerably more detail.*

*The smartest part was tracking the sources and specific details of all interested parties. This information goes into a database of highly-qualified leads, which could be used when marketing future properties as well.*



*My feeling was that, if they took the time to fully understand what Chris had developed, I'm sure most Agents would then be far more productive using this Stealth Marketing process.*

*Their time would not be wasted driving back and forth to the property for inspections with "tyre kickers", who (within 5 minutes of viewing the property) indicate they are not interested.*

*Having a dedicated Website for each property appears to provide so much detail to prospective buyers. And this quickly enables them to make a more informed decision, as to whether they are serious contenders for your property.*

*Again, this would clearly go straight to our bottom line: lower costs, producing better outcomes.*

*Because, this is the point at which we are about to TAKE our profit – so we really don't want to leave anything on the table.*

## Tracking your Campaign Response

- All campaigns are given a specific URL to track the advertising source.
- This enables accurate reporting on the quantity of leads from the various sources (most Agents just guess at these figures).
- Vendors can log in to see their campaign success in 'real time'.
- The campaign responses tell you the conversion rates for all your media enquiries.



## Quick Quiz for Steps 7 to 9

And the answers can be found at the end of the book.

Q #	Question for Steps 7 to 9
Q1	Can you claim depreciation on fit-out items a tenant installs?
Q2	Is Capital Gains charged only on the fixed components of the property (eg: the Land)?
Q3	Who collates the depreciation schedule for the properties you purchase?
Q4	You can depreciate Land. True or False?
Q5	Industrial Property has the highest proportion of Division 40 items? True or False?
Q6	Within what timeframe should you ensure that your property is maintained in a "ready to sell" condition?
Q7	Repairs made over a period of time are tax deductible? True or False?
Q8	Traditional Marketing is the more effective and time-efficient style of marketing? True or False?
Q9	Stealth Marketing will reduce the cost, but not the _____ of your marketing campaign.
Q10	Stealth Marketing filters the _____ buyers from the _____ .

## **QUICK REVIEW: The 9-Step Investment Formula**

### **A. Doing Your Homework**

- Step 1: Hi-Return Filter  
*Short-listing Your Potential Properties*
- Step 2: Final Judgement  
*Financial Analysis Made Easy*
- Step 3: Sleep Soundly  
*Pre-valuing ... to Avoid Sleepless Nights*

### **B. Bedding Down Your Purchase**

- Step 4: Negotiating the Deal  
*Extracting the Best Win-Win Outcome*
- Step 5: Validate Your Purchase  
*Due Diligence to Confirm What You've Bought*
- Step 6: Lock in Your Loan Terms  
*How to Beat the Banks*

### **C. Maximising Your Overall Profit**

- Step 7: Your Tax Benefits  
*Capture All the Depreciation that's Yours*
- Step 8: Adding Value  
*How to Manage and Improve Your Investment*
- Step 9: Stealth Marketing (2 Case Studies)  
*Leave Nothing on the Table When You Sell*



# BONUS TOPICS

## Syndicates

Simply [download a FREE eBook on Property Syndicates](#) to help you better understand the difference between Private and Public Syndicates.



### Private Syndicates – A quick overview

- ✓ Private Syndicates are not required to incur the huge cost of a Product Disclosure Statement (but Public Syndicates must).
- ✓ Is best to be organised like an Investment Club.
- ✓ Should not incur any more costs than if purchased by an individual (Public Syndicates charge an 'entrepreneurial fee' and a host of other costs).
- ✓ No more than 20 people involved.
- ✓ No more than \$2 million dollars is raised per Syndicate.
- ✓ A Trustee company is formed with shares distributed proportionately to each Members' equity in the Syndicate.
- ✓ Board members are nominated (approx. 3 people).
- ✓ Mandatory 4-year review – where Members meet and vote to continue to own the property; and there must be a 75% vote to continue.
- ✓ Borrowing is limited to 65%: conservative, non-recourse funding.
- ✓ Total Acquisition costs (stamp duty, legals, etc) approx. 8%.
- ✓ Keep about 2 months worth of rent in reserve.

## A Typical Syndicate Structure

Members	Equity per Member	Total Investment
2	\$250,000	\$500,000
4	\$150,000	\$600,000
12	\$ 75,000	\$900,000
18	<b>TOTALS</b>	<b>\$2 million</b>

*Carol nudged me to ask Chris for more details about buying property in a Syndicate through our Super.*



*We had only just set up a ‘Self Managed Super Fund’, and it could give us the perfect opportunity to invest, using this vehicle.*

*Chris explained the government rules mean that Super Funds normally can’t borrow to purchase directly. But with proper advice, the inherent complexities can be overcome.*

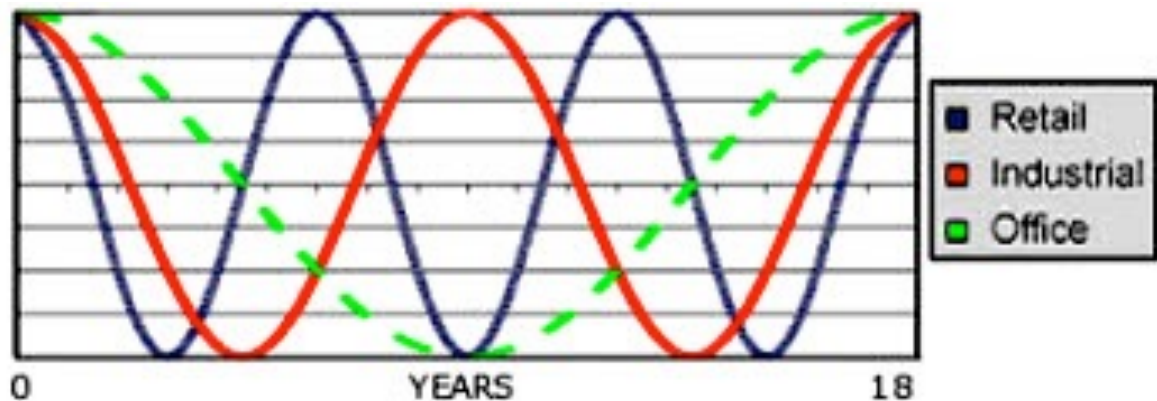
*However, provided the Super Fund did not have a controlling interest in the entity owning the property (in this case the Syndicate) ... then, that entity could borrow funds to acquire the property.*

*I made a mental note to look further into this further and see if it would fit with our own goals and ideals.*

*But the idea of joining with other fellow investors, to buy a much larger property, certainly had a lot of appeal. It would enable us to leverage our funds without overly borrowing; and also, spread the risk over a greater number of people.*

*Besides, we would also have the collective knowledge of all those who were involved.*

## Commercial Property Cycles



*Fig 21*

Office Cycle: **18 years** average peak to peak.

Industrial Cycle: **9 years** average peak to peak.

Retail Cycle: **6 years** average peak to peak.

\* It is only in the final 3 years that all the cycles peak together, and that's when the market booms.

*Sadly, it was over.*

*The Workshop had been a very full day and had given us plenty of food for thought.*



*Our expectations had certainly been exceeded. Not only that, but we had met some fantastic, like-minded people with whom to network. There were people with whom we'd definitely reconnect with in the near future.*

*I could not wait to get home and jump onto Chris' main website. And also, have a further look into all the information and Tools it contained.*

*And the real plus – I am no longer intimidated by the thought of investing in Commercial property. I feel the utmost confidence in Chris' experience and outlook on the whole process.*

*But perhaps, most importantly ... I know (being part of his Mentor Group) that we will also have Chris on the phone to “second guess” whatever we undertake. Also, to assist us on a professional basis whenever the need arises.*

*Therefore, as soon as we got home, I jumped onto my laptop to take a look around Chris' various websites. And one of the first areas I looked at was his team of Trusted Consultants.*

*What appealed to me was all the support we can get from the hand-picked list of Trusted Consultants. They are people who specialise in a specific area of commercial property, who actually “walk the talk”.*

*Carol, Frank and I had also already planned to do regular research on weekends for available local properties. This way, we could try the High Speed Filter Tool with real-life examples.*

*I knew this process would encourage us to keep in regular contact with Chris – to ask the inevitable questions and ensure we understood everything he taught us.*

*Carol had just put the kids to bed and was now sitting beside me.*

*Letting out a sigh, Carol put per arm around me and smiled. It was a change to see her quietly smug.*

*She was obviously glad she'd convinced me to attend the workshop – because, now, we were both able to make decisions from the same platform of understanding.*

$\sigma^2 = \frac{1}{n} \sum (x_i - \bar{x})^2$   
9-Step Investment  
**Formula**

**QUIZ!**

**Answers**

[DOWNLOAD all the Answers NOW](#)

# Congratulations!

You have just finished reading most of the secrets I discovered over the past 45 years or so. That means you now probably know more about Commercial Property than 90% of the population.

As you would have come to realise, Commercial Property is not overly complicated – ONCE you understand the Rules of the Game.

Anyway, the secret now lies in gathering around you a team of Trusted Consultants. Because, not only will they end up saving you heaps of time and money ... but they will also introduce you to deals, you would have not otherwise come across.

To help you going forward, here are some additional Resources ... if you're serious about learning more, and further improving your skills.

**Regular INFO:** [CommercialPropertyMadeEasy.com](http://CommercialPropertyMadeEasy.com)

**FREE Podcasts:** [PropertyBriefings.com](http://PropertyBriefings.com)

**Further TRAINING:** [Commercial-Property-Secrets.com](http://Commercial-Property-Secrets.com)  
[Negotiating-Master-Class.com](http://Negotiating-Master-Class.com)

**You can Contact me on:** [chris.lang@his-best.biz](mailto:chris.lang@his-best.biz)

# Did You Enjoy This Book?

I want to thank you for purchasing and reading this book. And I really do hope you got a lot out of it.

Can I ask a quick favour though?

If you enjoyed the book, I would really appreciate it if you could leave me a positive review on Amazon.

I love getting feedback from my customers and reviews on Amazon really do make a difference. I actually read all of the reviews, and would really appreciate your thoughts.

Thanks so much.

A handwritten signature in black ink, appearing to read 'Shins', with a long horizontal stroke extending from the bottom right.

PS: You can [click here](#) to go directly to the book on Amazon and leave your review there.