

How to get a DA site under contract in less than 30 minutes

So you have found a site that looks like it's got development potential and you need to get a contract on it fast! Your team of experts are critical to your project's success. By choosing your team carefully and maintaining good relationships, you should be able to get fast reply from them when it's needed.

The 6 step process to get a DA site under contract..... fast.

Step 1. Check the development potential with your town planner

Ask your town planner about the following:-

- Zoning. What can actually be developed on the site?
- Are there any constraints on the site I should be aware of?
- How long will the required permits take to be approved?

Step 2. Get to know the site better

I recommend that you get to know the features of the site. Things like its dimensions, gradient, neighbours, services and zoning. You can get a development potential report quickly and cheaply at www.dtk.com.au/shop . Nothing beats visiting the site and talking to neighbours- if you have time.

Step 3 Get an Architectural review

Ask your architect what can be done on the site:

- Check the yield for the site- how many things can be built?
- What is the likely approval timeframe?
- Will it be an as of right application or impact assessable?

Step 4. Get a services compliance check by your civil engineer

Understand where the services run up and down the street and onto the site. We are talking about services such as:

- ✓ Water supply
- ✓ Stormwater
- ✓ Electricity
- ✓ Sewer
- ✓ Gas
- ✓ NBN

Quiz your engineer about If there is available capacity in these services or will upgrades be required.

Step 5. Do a feasibility study

The feasibility study is critical to knowing the potential profitability of the project. There are many inputs into a feasibility so make sure that you develop a good *feel* for the various costs. If in doubt check likely costs with your consultants. Remember they have been through this process many times before and from experience they may be able to provide invaluable advice to you. The feasibility study is also a critical part of the process if you require bank funding for the project. Banks are constrained to working within certain limits and if the project does not fit the criteria you may not get funding. This point underscores the importance of Point 6- getting a conditional contract on the site.

Financial Feasibility			
Project:	4	38 Red St, Uptown Townhouses	
Revenue:			
Property Sales, GR			
Less GST on sales (margin scheme)	4	\$ 480,000	\$ 1,920,000
= Net Revenue			\$ 128,182
			\$ 1,791,818
Land Acquisition Costs			
Purchase Price	\$ 510,000	\$127500 / site	
Legals on purchase stamp duty	\$ 1,680		
	\$ 16,983	3.33%	
	\$ 528,663	27.5%	
Finance Costs			
Establishment fee, dev	\$ 6,000		
Interest	8%	\$ 81,951	
valuation	\$ 2,750		
	\$ 90,701	4.7%	
Professional Fees			
Surveyor- ID, contour	\$ 3,500	DA Cost	
Architect, DA	\$ 7,000		
Architect, BA	\$ 9,900		
Town Planner	\$ 4,000		
Geotech Eng	\$ 2,200		
Civil Engineer- see Ron Po	\$ 12,100		
Electrical Engineer	\$ 1,650		
Hydraulic Engineer	\$ 1,650		
Structural Engineer	\$ 2,750		
Landscape Architect	\$ 2,310		
Quantity Surveyor	\$ 2,640		
Surveyor - Strata	\$ 4,400		
Certifier	\$ 3,300		
Energy Efficient report	\$ 1,650		
	\$ 59,050	3.1%	
Construction Costs			
Demolition			\$ 14,000
10,000L detention tank			\$ 15,000
Building			\$ 664,000
Project Mgmt			\$ 15,000
Contingency		2.5%	\$ 16,600
			\$ 724,600
Contributions and Charges			
Dev Application			\$ 6,600
Council Contributions			\$ 56,000
Operational works approval			\$ 1,500
Council Plumbing and drainage			\$ 2,500
council water connect/meters			\$ 10,000
council plan sealing			\$ 1,320
council demol permit			\$ 1,700
Port long service levy			\$ 4,650
Body Corporate establish			\$ 2,200
post construction insurance			\$ 400
Separate titles			\$ 1,200
			\$ 88,070
Land Holding Costs			
Rates			\$ 2,200
Sellings Costs			
Advertising			\$ 6,600
Commissions			\$ 55,000
legals on sale			\$ 2,200
			\$ 63,800
Gross expenses			
Less GST re coupled (input credits)			\$ 1,557,084
Net Expenses			\$ 77,291
Development Profit			
RETURN ON COST			\$ 1,479,793
IRR			\$ 312,025
			21.1%

Step 6. Get the site under contract

As part of your preparation to get a site under contract, discuss with your lawyer some clauses that can be used in a conditional contract. This will give you time to put the site through a rigorous due diligence study after the contract is signed. If you can buy yourself sufficient time for the due diligence you will then be able to go back and spend more time checking if the site will be a suitable development site. If you have determined in steps 1-5 that the site has development potential then aim to get the site under a conditional contract or option contract. You need to make sure that if the site does not stack up during a full due diligence assessment, then you can cancel the contract and get your deposit back.

Best regards in your property acquisitions. Drop me a line to tell me how it's going.

David Kelly