

Finance, Property Development and Sales

OXBRIDGE



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ACHIEVING
EXCELLENCE

Introduction

1. Finance 101 – Debt vs Equity vs Mezz vs Private (Paul)
2. Project Development 101 – subdivisions, DAs, BAs, setbacks, minimum lot sizes etc (Orane)
3. Project Sales Training - first home buyers, rentals yield curve, builder affiliation, negotiation, contracts etc (Brian)

Introduction



1. Finance 101

■ Debt vs Equity

- > Debt: Money Owed
- > Equity: Ownership - represents the amount of money that would be returned to a company's shareholders

■ Capital Stack

		Typical Qualitas Protections	Loan to Value Ratio (LVR)
Level of protection	Limited security structure	Ordinary equity <ul style="list-style-type: none"> • Full project and counterparty due diligence 	N/A
		Preferred equity <ul style="list-style-type: none"> • Full project and counterparty due diligence • Preferred return before ordinary equity 	N/A
	✓	Mezzanine debt <ul style="list-style-type: none"> • Full project and counterparty due diligence • Same protections as senior debt but ranks second¹⁴ 	Typical LVR: 65 – 75%
	✓	Senior debt <ul style="list-style-type: none"> • Full project and counterparty due diligence • Contracted cash flows • First ranking security over property • Bank guarantees • Personal guarantees • Asset pre-sales 	Typical LVR: 50 – 65%
Strong security structure			

✓ = included in the Trust portfolio

Finance

1. Finance 101

■ NPV

- > the value in the present of a sum of money, in contrast to some future value it will have when it has been invested at compound interest.

$$NPV = \sum_{t=1}^n \frac{R_t}{(1+i)^t}$$

where:

R_t = Net cash inflow-outflows during a single period t

i = Discount rate or return that could be earned in alternative investments

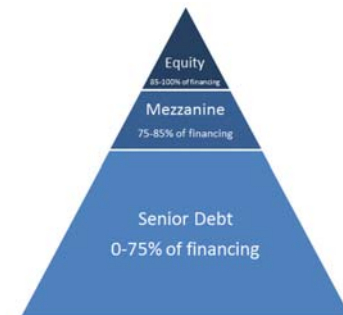
t = Number of timer periods

- WACC (Weighted Average Cost of Capital) - The weighted average cost of capital (WACC) is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds, and any other long-term debt, are included in a WACC calculation.

Finance

1. Finance 101

- IRR (Internal Rate of Return) and RRR (Required Rate of Return – Hurdle Rate)
 - $IRR > RRR$
- Cash on Cash Return vs ROI (Return on Investment) vs ROE (Return on Equity)
- Payback Period – Number of Years to Payback on Cash basis
- Bank vs Non-Bank vs Private Lenders vs Mezz Finance vs Private Equity
 - Non-Bank (e.g. Trilogy, Latrobe)
 - Mezzanine financing is a hybrid of debt and equity financing that gives the lender the right to convert to an equity interest in the company in case of default, generally, after venture capital companies and other senior lenders are paid.
 - Private Equity (A private equity fund has Limited Partners (LP), who typically own 99 percent of shares in a fund and have limited liability, and General Partners (GP), who own 1 percent of shares and have full liability. The latter are also responsible for executing and operating the investment)
- Bank Finance (Senior Lenders) options



Finance

1. Finance 101

- Non-bank options
- Private Lending options - HNW
- GRV or a TDC lend
 - The gross realised value (GRV) is the 'on completion' value of a property development project
 - Total development costs (TDC) is the complete sum of all the costs to purchase your development site
- Pre-sale requirements
 - E.g. recent example: 50% of debt cover in pre-sales, but would only extend to 70% TDC
- **FOR OXBRIDGE AGENTS**
 - Residential Sales Commissions – Initial Commission Split + Trail on Broking Services
 - Development Finance Commissions
 - Commercial Finance Commissions
 - Business Sales Finance Commissions

Finance



2. Project Development

- DAs, BAs
- Code vs Impact Assessable (e.g. SMART)
- Setback - The City Plan defines a setback for a building or structure by the shortest distance measured horizontally from the outer most projection of a building or structure to the vertical projection of the boundary of the lot
- Minimum Lot Sizes
- Property Development Hierarchy
 - > 1. Buy and Hold
 - > 2. Change of Use/Rezoning (e.g. [City Fringe](#), West End Medical Precinct)
 - > 3. Renovation to Sell or to Rent (e.g. Rooming)
 - > 4. Strata
 - > 5. Splitters
 - > 6. Subdivision
 - > 7. Build LDR
 - > 8. Build MDR
 - > 9. Build HDR

Project Development

2. Project Development

 <p>Development Site 45 Units</p>	 <p>Retail Mall 16 Shops Moorooka</p> <p>360k per annum yield 30%</p>	 <p>Commercial Property Meetings@Milton</p> <p>70k per annum yield 15%</p>
 <p>Block 4 Units Paddington</p> <p>90k per annum 22% yield</p>	 <p>Exec Home Residential Bardon</p> <p>65k per annum 15% yield</p>	 <p>Milton Residential</p> <p>81k per annum 10% yield</p>
 <p>Milton 2 Residential Subdivision</p>	 <p>Margate Town House</p> <p>36k per annum 18% yield</p>	 <p>Tanah merah House</p> <p>36k per annum 18% yield</p>

Project Development

3. Project Sales

- [FIRB](#) – International Sales (Integrated Tourism Resort (ITR) exemption)
- Property Trusts (e.g. Quantum, Carindale)
- House & Land, Townhouse and Apartments
- Investment Seminars
- Shopping Centres
- General Commissions
 - > Builders + Lands
 - > Rent to Sell
 - > Trail on Broking
 - > First Home Buyer & Commission as Deposit

Project Sales



Strategic Discussion

- Current Developments
- Questions & Answers
- Discussions

