

HOW TO SUBDIVIDE YOUR BACKYARD

Lan Nguyen
Shanice Hoang
Michael Choi

Program

6:25pm: Housekeeping and introductions

6:30pm: How to Become a Property Millionaire

6:50pm: The Ultimate Guide to Subdivision

7:20pm: 10 minute break

7:30pm: Selling off the Plan vs. Building then Selling

7:50pm: Q & A for the presenters

Disclaimer

The information and comments in this section of the seminar are of a general nature only and do not constitute professional advice in any way.

You must seek your own independent professional advice relating to your particular circumstances, goals and risk profile before taking any action at all.

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Your Presenter Lan Nguyen

Experience

- 17 Years as a Chartered Accountant, experience in Tax and Wealth Advice
- Helped over 1,000 of investors and families achieve their Financial Goals

Education

- Bachelor of commerce
- Diploma of Financial Planning
- Invested over \$100,000 in my own business education and property investment
- Read over 150 books on property, business and wealth

Achievements

- Founder of Success Accounting Group
- 2013 WOMO Service base on excellence customer experience
- Self-made multi Millionaire Property Entrepreneur





LAN NGUYEN

Founder of Success Accounting Group
Self-Made Property Millionaire

HOW TO BECOME A PROPERTY MILLIONAIRE?

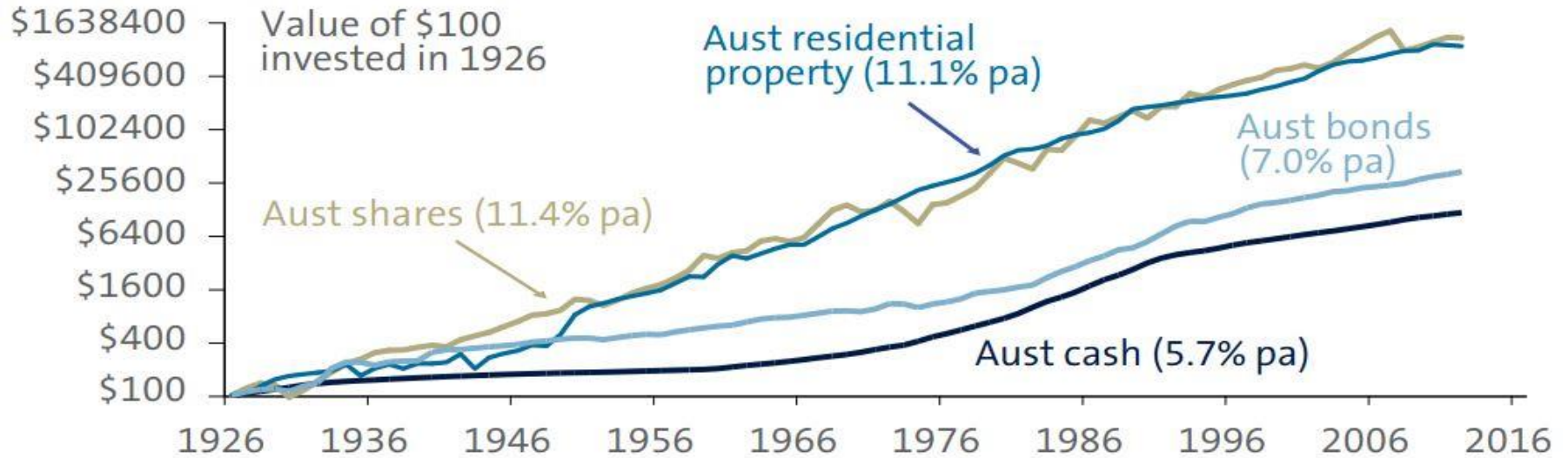
The Focus

1. Why Property?
2. Benefits of Property Investment
3. Why Develop your Property?
4. Is Now a Good Time to Develop?
5. Get Structured
6. Implication on Subdivision

WIFM?

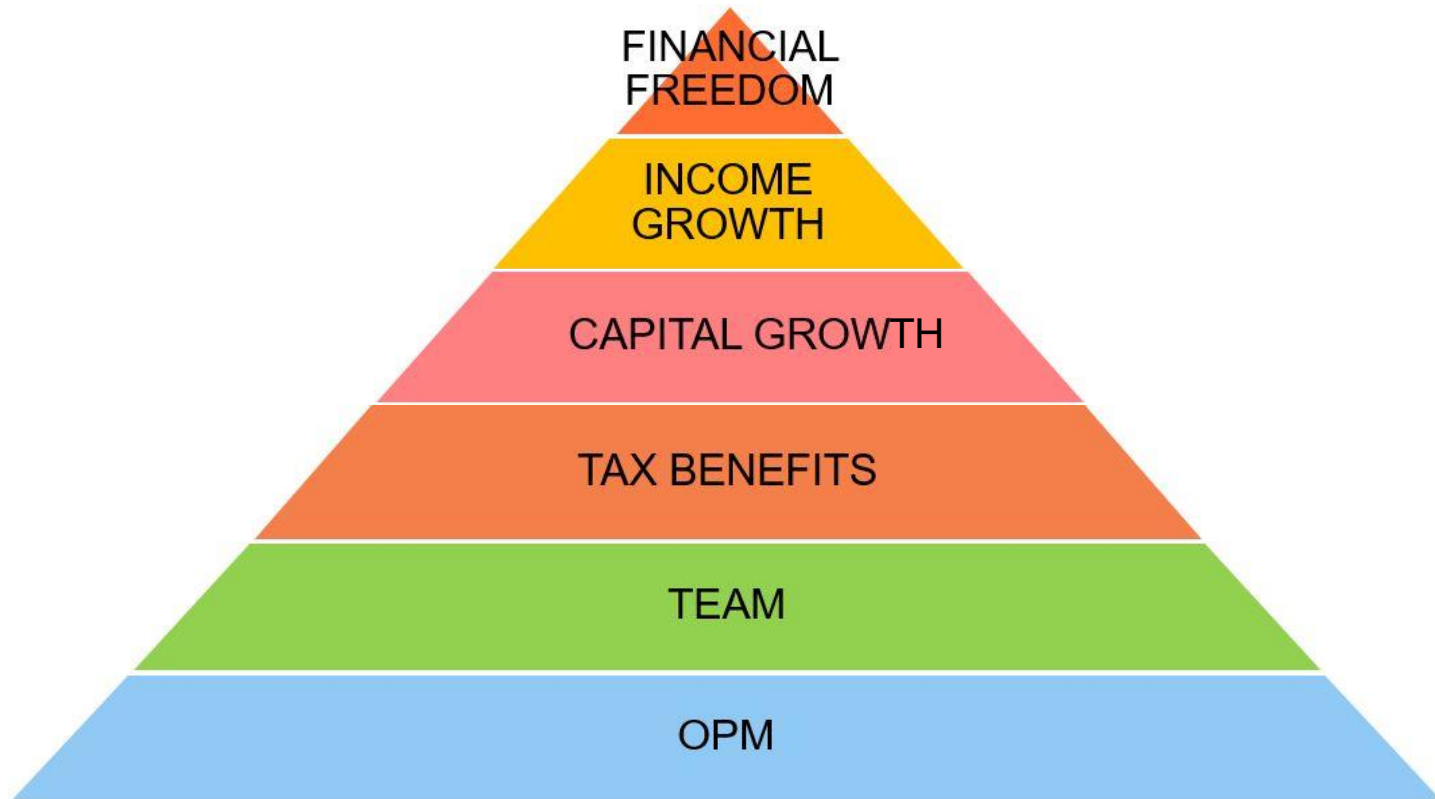
- Do you want to Create a Second income
- Do you want to Quit your JOB or Business
- Do You want Freedom and Flexibility
- Do you want to Grow your Money
- Do you want a Simple Way to Increase Your Passive Income?

Why Property?



Source: ABS, REIA, Global Financial Data, AMP Capital

Benefits to Property Investment



Why Develop Your Property?

1. Purchase at wholesale price – save on stamp duty
2. Supplement family income
3. Accumulate more property faster at the cost price

Case Study 1:

	Developer	Retail Investor
Market Value	500,000	500,000
Less Development Profit	70,000	0
Less Marketing costs	20,000	0
Purchase Price	410,000	500,000
Plus Stamp Duty	0	16,000
Total cost of property	410,000	516,000
Net equity	90,000	(16,000)

Is Now A Good Time To Develop?

- Boom v Stagnant
- Sites
- Interest rate
- Building price
- Credit
- Undersupply

Get **STRUCTURED**

- Obtain professional advice **BEFORE** purchase
- Intend to **SELL** : Minimise CGT & GST, Margin Scheme
- Intend to **HOLD**: Minimise rental income, CGT, Asset Protection



	Individual	Company	Trust	SMSF (under 60)	SMSF (over 60)
Rental Income	47%	28.5%	None	15%	None
CGT	23.5%	28.5%	None	10%	None
Asset Protection	No	Yes	Yes	Yes	Yes
Can you distribute?	No	Limited	Yes	No	No

Tax Implications on Subdivision

- Merely realising an Asset
- Property Development
- CGT 50% Discount after 12 months
- GST applies unless rental for >5 years

Real Estate Development Tax Table

Situation	CGT 50% Disc After 12mths	GST Applies Unless Rental For > 5yeras	GST Applies	Normal Income
Buy with the Intention of Selling for Profit (if this applies go no further)			X	X
Buy as a domestic rental and no real changes	X			
Buy as a domestic rental and add 2 rooms	X			
Buy as domestic rental but do substantial reno	X	X		
Buy Land & Build Domestic Rental (Not GST Reg)	X			
Buy Land & Build Domestic Rental (GST Registered)	X	X		
Rental then small Sub & sell blocks (Not GST Reg)	X			
Rental then small Subdivision & sell blocks (GST Reg)	X		X	
Buy as Rental later Subdivide & Build houses to rent	X	X		
Buy as Rental later Subdivide & Build Houses to sell	X		X	X
Rental later large Business like Subdivision sell blocks	X		X	X

Bruce Lee said

“To know and not do, is to not know at all”



Success Property Session



**Property
Review**



**Property
Structure
Review**



**Cashflow
Review**



**Loan
Review**



**Deductions
Review**

**\$500 investment : The Success Property Investment Mapping Session
can saved you least \$\$\$\$ and a lot of headaches.**

Today you can Book one session and can get a 2nd property review for FREE.

Jane Campbell

"Since becoming a client of Success Accounting it's become very apparent I had missed opportunities to reduce my tax liability. Lan has assisted our family step by step from completing a Freedom Gap report to setting up a Trust and feasibility studies for building 8 townhouse developments. My Husband and I feel confident a happy retirement will be our reality. Our family are likewise excited by the possibilities our financial strategy opens up. Thank you Lan."



Question Time

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The Ultimate Guide to Subdivision

Shanice Hoang

Principal Lawyer at
Verity Law



Outline...

1. **Why** should I subdivide and what are the benefits?
2. **How** do I know if my land can be subdivided?
3. **When** should I subdivide my land?
4. **What** are the steps?
5. **Who** can help me to take that next step and do I really need to hire professionals?
6. **Where** can I go for further information?

Why...

should I subdivide?

- Great way to boost profits
- Quickest way to add value to your property by simply registering two lots instead of one
- Once divided you can:
 - Hold the lots and wait for an upswing market
 - Develop them by adding another property
 - Sell one to reduce debt on the remaining or generate extra capital

How.....

Do you know if your land can be subdivided?

Lots of people own land but the most important question that needs to be asked is

Can my land be subdivided?

The 5 Tests You Must Pass To Subdivide

The ability to subdivide land
in Victoria is determined by:

1. Zone, schedule & overlay/s
2. Size of land
3. Building envelope
4. Neighbourhood character & Precedent
5. Clause 55 & 56

1. Zone, Schedule & Overlay/s

- State and Local Planning Schemes applicable to your property?
- Some Zones, Schedules and Overlays place subdivision constraints (eg. any subdivided lot must be of a minimum size, no more than two lots on the site)
- Town planning at local council have the answers
- You can also enquire about your property via the [Department of Sustainability and Environment](#) website

2. Size of land

- What is the area of your property?
 - look at the copy of plan attached to your title
- “300m² per dwelling” rule of thumb (usually for proposed multi-unit residential townhouses and units in a General Residential Zone (with no other schedule or overlay constraints))
- Minimum block size 600m²
 - (due to the above)
- In Victoria, you can do a Land Title search and Title download at the [Landata](#) website

3. Building Envelope

Your development strategy to subdivide your lots can be affected by:

The “building envelope”

This is the actual area within your title boundaries that is legally and physically possible to build on. The building envelope can be affected (reduced) by:

- The size and positioning of easements
- Restrictive covenants
- Significant trees
- Existing buildings/structures that can't/wont be removed
- Neighbourhood amenities
- Driveway requirements & crossover issues
- Nature strip assets

4. Neighbourhood Character, Strategic Planning & Precedent

- Council's Neighbourhood Character and Strategic Planning policies.
- Factors such as:
 - Location
 - Neighbourhood precedent

5. Clause 55 & 56

- Ultimately the permit to subdivide will rest on the Victorian Planning Scheme's:
- **Clause 55** (Two or more dwellings on a lot and residential building) – governing any proposed dwellings you wish to put on the site, and
- **Clause 56** (Residential Subdivision)
- That said, the better your research (and the greater your experience) with the previous four factors, the more confident you should be of obtaining both your planning permit and subdivision permit
- You can view Clause 55 and Clause 56 in full at the Planning Schemes Online website

When...

Should I consider subdividing my land?

It depends...

1. Property cycle
2. Your financial circumstances
3. The driving demand in your area
4. Costs

What...

Are the steps?

Title search

Licensed land surveyor

Council

Legal professional

Land Victoria

the planning permit process

before making the application

- find out about the planning scheme
- talk to the council planner
- talk to the neighbours
- consider getting professional advice

prepare and submit the application

- application information (see checklists page 6)
- application form
- fee

council checks the application

- more information?
- referral?

application is advertised if required for at least 14 days

- usually by letter to neighbours and a sign on-site
- people affected may object

council assesses the application

- considers any objections
- holds mediation meeting if needed
- considers any referral comments
- assesses planning scheme provisions
- negotiates with permit applicant
- prepares report

council decides the application

permit with
conditions

notice of decision
with conditions

refusal

review by VCAT if applied for

- by the permit applicant against conditions or refusal
- by an objector against notice of decision

Who....

can help me to take that next step and do I really need to hire professionals?

- An experienced legal practitioner who specialises in subdivision and developments
- Accountants
- Real estate agent with project management experience
- Surveyors
- Town Planners
- Architects

Do I really need professionals?

- Be prepared to experience trial and error
- Errors which may not be reversible
- Abundance of resources available but you will need time
- Learning on the job (if you can afford to)
- Time is money and lost opportunity
- Learn from others who have subdivided and developed

Where...

Can I go to get more information

- Town planning department
- Department of DELWP (*Department of Environment, Land, Water and Planning and Parks Victoria*)
- Professionals in the field

Questions

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MICHAEL CHOI – Founder of iSell Group

SELLING OFF THE PLAN VS. BUILDING THEN SELLING

Off The Plan

Advantage

Not your
money, s27

Sold before
build, no
doubt or risk

Disadvantage

Can't sell for
as much
because
people can't
move in
straight away
and get
emotionally
connected

Building and Sell

Advantage

Generally a
higher sell
price

Disadvantage

Have to
fund the
building
cost for
longer as
you need to
market, sell
and settle

Market Forces

If Market Is
Going up

- Buyers like to lock in price in rising market
- Could sell for more if you build then sell

If Market Is
Going Down

- Best to sell off the plan, hard to sell off the plan

Safer off the plan, less risk, yet also lesser reward.

Finishes

- Stone, not expensive stone on all bench tops
- Light fittings
- High ceilings
- Front garden, if any
- Demographics
- Careful not to overcapitalise

Layout

- Double storey is normally better
- Downstairs bedroom and bathroom
- Study converted into bedroom
- Don't underestimate parking

Best Way to Market

Off Plan Market

- Price it well, good quality rendering/pictures, brochures, sample board too

Build Then Sell

- Display furniture, great photography, good advertising



Q & A