2013 – 2025

ANDREW CROSBY

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Zipp Founders Q&A November 9, 2025

In today's Q&A we talk about productivity, technology, the entrepreneurial journey and where those three have combined into Jarrod's and Peter's latest AI venture.

Andrew Crosby from Xpect catches up with **Jarrod Renall** and **Peter Melrose**. We discuss how they had a problem in their consulting business and have now used technology enhanced with AI to provide a solution – and now it's for available for the rest of us to use.

OK Gentleman, nice to meet you both. Now I know you are dying to tell me about this fantastic new application you have both built, but let's step back for a moment. We don't want to make this some boring story about two guys who had a real problem in their business, harnessed Artificial Intelligence, and developed a solution that makes your team more productive, keeps clients happy and saves a bundle of cash do we?

Jarrod: ummmm.

Peter: ahhhhhh.

Peter Melrose (left) & Jarrod Renall (right)

Surveying. You guys are both surveyors, right? Land surveyors, measuring hills and setting out buildings, sorting out boundaries and the like I mean. Please tell us a little bit about what you do and your company.

Jarrod: Yeah, we cover these things and a fair amount more than that, but yes, I am the Director of Survey Worx. To put it simple with surveying, we help clients locate or capture positions of

matter. We have about 100 staff and 11 locations. 60 staff in our Penrose HQ and the rest dotted around the country.

Peter: And I'm the Director of Survey Group. We are a lot smaller with about 15 employees, but we do similar work for somewhat similar clients.

Ok, compete head-to-head on jobs?

Peter: Absolutely we are always trying to deliver better service than Jarrod!

So, two competitors have joined forces then presumably to fight evil – how does that come about?

Peter: Me and Jarrod have been mates for 20 odd years so we are always talking about our problems and how we think we can improve. Jarrod took a bit of the lead on this project, and I thought we can help make this idea a reality.

Jarrod: Peter has been an influential sounding board throughout the entire journey. I think that it is critical to have someone to bounce ideas off. And it helps when we are in the same industry and see the same things happening. That's why we built…

Hang on, I know you are busy and want to get straight to it but first, let's dig deeper. Tell me about you career journey so far. I want to hear how you laid the foundation for your solution.

Jarrod: Yep, did the surveying degree at Otago, it's the only place that has one you know, and spent 10 years in Sydney. Eventually I became General Manager and started an office in New South Wales and grew from just myself to 45 staff in 18 months.

Then in 2017 I came back to New Zealand and took on a General Manager role at Survey Worx. At that time Survey Worx had about 15 staff, all based in Auckland. I sort of applied the company acceleration formula I learned back in Australia and now lead a much larger exceptional team around the country.

Peter: Not as an impressive I should say but a bit different, yeah, I worked in Aussie for 6 years – as a surveyor. After graduating at Otago like Jarrod – in fact so long ago but me and Jarrod worked at the same company in Aussie. Anyway, I head off to London, spent 5 years there. And Hong Kong for three before coming back to New Zealand at the end of 2022.

In London I worked as a project manager – the London Bridge upgrade was one of mine. In Hong Kong, it was during Covid and an uprising and a real 'interesting time'. I was doing an MBA at Hong Kong University and with a couple of friends started up an air-refreshener business start-up. 'Airguard' was its name, we had a patented raw natural cleaning / sanitiser product for insertion into building heating and ventilation systems. With Covid all around us, we were easily able to raise quite a lot of funding and grew very quickly. We went from one to 18staff in 12 months.

And then we left Hong Kong and came back to New Zealand. Once again, I was employee number one. Two and a bit years later, we have 15 staff, and just about to open a second office in Hamilton.

You both have proven how to start or pickup from others and grow businesses very fast. That is very impressive – what do you put that down to? Is it systems? Processes? Mindset?

Jarrod: Yeah, systems and processes are important, as much as it is with building a culture that staff want to stay and clients want to work with you. I had studied a MBA from Macquarie University in Sydney and there I learnt fast how to know your customer and give them what they want.

Is it worth doing an MBA then, still with everything online at your fingertips nowadays?

Peter: I think so, definitely put me in a great position to figure and to sort out Survey Group.

Jarrod: Yes, and things just move faster overseas compared to New Zealand. In Australia you get used to things moving at a drop of a hat. I mean in surveying they use the same technology and business practices, it's just they have a more mature industry over there. Things need to happen fast otherwise you don't get ahead. All about communication and service levels.

Peter: Hong Kong moved fast. It is just so dominated by the financial industry, so I guess that rubs off on you.

Ok, so you applied big fast moving foreign city country principles to small ole NZ. Both with a strong desire – that's a mindset thing- to grow and obviously the ability to scale businesses. Technology in Surveying though – where is that at? From a property development perspective, it feels like surveying has been through quite a lot of technological change, maybe more than any other consultant in the industry. Like drones, didn't you guys have to spend days walking over mountains – stockpiles- of dirt measuring volume? And now you have those scanners that can measure buildings?

Jarrod: Yeah, what started out as a big productivity gain, the with drones for at least our surveying business it has taken jobs away from surveyors because contractors can do that themselves. And really your mobile phone can automatically scan and dimension spaces now. What I see as the most importantly technological change was GPS and more recently, laser scanning. That made a huge difference to how we do business.

Peter: The current surveying tech can scan 2 million points per second! And robots. Robotic technology in the surveying instruments & equipment. Before you might have to have two people on a site, now it's one. And they are only on site for the same time as they used to. So that is a 50% decrease in onsite staff costs.

All those gains which have conveniently sidestepped much of the rest of the construction industry -it just seems everything keeps getting more expensive! Although maybe technology has slowed the pace of increase, so has Surveying pricing become any cheaper over the years?

Jarrod: Yeah, it definitely has. We are time driven, where tech is the driver that keeps on moving the price point lower.

Peter: Those topo surveys used to take 2 days now you can fly drone it in 2 hours. That's technology increasing productivity dramatically and that's what we wanted to create here with....

Guys, I can see how antsy you have become. You might be sick of your respective stories, but I like to set the scene for the readers. You want me to promote your software and start talking about features and all that but I'm sure there are others who will benefit -maybe even get inspired- from your entrepreneurial journeys. Let's hear the reasons why first. Then you can talk to us about the how and the what!

So why did you have this bright idea for a piece of software you have recently launched? Before we even mention its name (apart from the title of this interview of course!) what was the trigger? What was the issue you were trying to fix?

Jarrod: I think it came as a function of growth pains. Being the Director, eventually if a client had an issue with us, they would contact me. There was a recurring theme, many clients were frustrated that they didn't know what was happening with their projects.

Who are your clients?

Jarrod: Yeah, this is mainly about the mums and dads type clients, the business to consumer (B2C) clients. Typically, the ones getting a new house built. The business to business (B2B) clients, developers and large property owners are much more prone to following up with our team where everything is at themselves. And because our surveyors are working with them on different projects, or very large projects daily, the "where is that task at" conversation is just a routine part of the comms, of the back and forth.

But for smaller clients, a lot of Survey Worx bread and butter, many wanted feedback and progress updates and frankly my team was not delivering on that.

Believe me we tried. Every monthly meeting, it became a bold point on the minutes -update your clients! And so, everyone did, for a few days and then they fell back into their old habits. And then I would get the phone call.

It's just human nature – a surveyor's core role is to survey, to get a job and complete it. All the follow-up was a burden to their other work. And it's time that we were not getting compensated for. So, the client is not getting great service, and we are not getting compensated anymore when we try to do so.

Then another penny dropped. In the open plan office, all around me I used to hear the same conversations. Every day, multiple times. I could overhear staff saying pretty much saying the same things to clients. We had curious clients, and they wanted not only to know where a surveying task was at – like when will the topo survey be complete – but the actual process, the steps along the way. Developers we work with already know most of that and they have been there and done it before. But the smaller one-off clients, they didn't understand, they wanted to know that everything was on track in the background. And I heard my staff repeatedly telling them the same process, over and over again. That was not productive!

Peter: We had exactly the same issues. We had the same problem. And it was going to be a growth bottleneck if we didn't address it. Hard to grow in the difficult market that we have had, but once things are back on track, we didn't want this 'problem' to impede us.

It's a bit fuzzy, but let's say its late 2023 and whilst having a few beers our mutual frustration with this problem grew into a robust conversation. We threw ideas at each other. That night of course we solved it. Then the next day we woke up and had to work to solve it all over again!

Ok, Houston we have a problem. Now we need a solution. On that fateful night of realisation and commitment did you decide you were going to build some sort of AI powered widget or how did you really start?

Jarrod: No, we had no real idea, so we said let's pull this apart and research. First let's talk to clients, so we talked to homeowners. We talked to other companies. We went looking for the sources of the pain points and basically did a whole heap of research.

Peter: We went back to existing and past clients and asked for feedback. Mostly they wanted more communication. Of course, we already knew that so then we had to work on improving communication and hopefully automating it.

But surely you looked at your competitors and others in your industry – how did they overcome this problem?

Jarrod: They either don't update their clients, or if they do at all they are relying on manual processes and the diligence of their staff.

What was your experience with Artificial Intelligence before you set out to solve your business problem?

Peter: Very limited, honest with you.

Jarrod: I had done a bit of using and trialling AI. With surveying you need to keep up to date with the latest technology, just to stay competitive so I am always looking at integrating whatever we can into our company. Those who nail it prosper first is my way if thinking.

So, you jumped on the bandwagon and decided to use AI. ChatGPT had only been around about a year by that time. And everyone was solving their problems with AI by this stage, right?

Peter: Well not us. We were thinking quite traditional, at least in a tech sense. Maybe it could be a structured email template. We even thought about hiring a person to correspond progress on behalf of staff. But that was only going to cost us more opex and then still had the human error part. Not sustainable.

Jarrod: the conversation started with a template, every project was templated, so we had workflows built for that. and we only added AI later on.

Peter: AI only came about as part of the solution for a specific component of the software, and once again that came from feedback through our testing process with other companies and clients. We wanted to create a very simple business communication tool. In the end it just happens to use AI to help compile messages and that is all.

Jarrod: So far that is…

Let's put you out of your misery. What is the name of your solution?

Jarrod and Peter: Zipp.

Jarrod: We have the getZipp.com domain name for the American market. Firstly, we couldn't get the Zipp.com domain and we thought, well you only have to get the Zipp app once so getzipp.com was it.

ZIPP

And how did you arrive at the name?

Jarrod: Well, I originally had called it BeeStork.

Sorry?

Peter: Yeah, I hated it too!

Jarrod: Hey, my kids and I loved it at the time! You know bees with their great sense of communication amongst each other. And well the Stork delivers. So as a tagline 'Communication that delivers'.

OK…I get ya. BeeStork.com

Peter: Yeah, do you want to buy that domain name?

Jarrod: Anyway, we decided on Zipp. Like a zipper, the two parts coming together. Bringing clients together with their projects, 'zipping' as in 'communicating'.

Peter: you know that is the first time I have understood that!

To summarise, Zipp is an online application that uses a little Artificial Intelligence to solve the problem of surveying companies communicating with their clients. Is that right?

Actually, you tell me. Give me your 10 second elevator pitch?

Jarrod: We help businesses update their clients. We have enabled anyone to view the progress and process of their projects in real time.

Peter: Zipp is a business communication tool that gives the end user full transparency on internal workflow. It allows any business to be more productive and to communicate and update clients on project workflows.

Not bad pitches, however I would prefer to see how much dollars you propose to save companies in those ten seconds!

Peter: And not just surveying, I see this tool as providing real value to all sorts of industries, basically any consulting firm or subcontractor that does projects for consumers. Tradies, engineers, of course surveyors and architects.

Jarrod: And even as it has evolved, with an endless list of features clients would like us to add, the core principles remain the same. To update multiple clients across multiple projects at multiple stages and multiple types of projects and do it fast.

You got the problem, you have researched your options and somewhere along the build process you settle on Zipp. How was it building the Zipp application?

Jarrod: This is my second time building software. The first time in 2018 I built 'HomeProfile'. It was a platform amassing all sorts of IP about a property to accompany the sale of a property, including 3D models. The biggest lesson with that flash in the pan was that you need a strong team.

So, I had worked with software developers before and knew we needed someone that could take us all the way. We wanted them to have a proven track record. That's how we chose Edition Studios. They had recently built an application called 'Kernel', it had won some awards. I knew

one of the owners and I pitched him the idea, at least the problem we were trying to solve. They understood the challenge, provided an immense amount of feedback and we were into it.

Peter: After 3 months research, six months building a prototype we then spent nine months in beta working with clients and other companies to refine. It was closed beta testing, just with some trusted partners. We had Survey Worx a larger company, Survey Group a medium sized one, a few builders, an electrician, a painter trade and an accountant. They all helped us during beta working with their clients and gathering real time feedback on Zipp.

And what about staff?

Jarrod: We have now decided to do our product development in-house along with business development. We have hired a real achiever in this space to be the person to take us to the next level. We found Stevie Mayhew, who as Chief Technology Officer, had successfully exited other applications. Around him we will build an internal development team to add more features to the product and continually improve.

Peter: I knew Steve for ten years. We would catch up when he came back and forth from the States.

We mentioned features briefly. Are these features ones that your clients want – or are they what you want?

Peter: Keep it simple!

Jarrod: There are about 400 features I want, but yeah, the core is to keep it simple for companies to use. That's so they get all the benefits of keeping their clients informed without a massive investment in time on how to use Zipp.

The template feature is key to keep it simple. Essentially the process, or each step of a particular service is identified and written down for industry or project. You only have to write that process down once and it is stored as a template. Or you simply choose one of our standard templates. We have about 30 now across a number of industries, from architects to lawyers, surveying -obviously- to house building.

When you tick the step off, a prompt to notify the client is automatically generated. Then this is where we had started down the track of providing message templates, but our software developer said we can use AI to automate the message. Client feedback was great, that saved anyone having to create message templates. Our AI automatically writes the email to the client in different message styles the writer can choose. This provides standardisation across the business, so all communications have the same flavour and allows some customisation if the user wishes to. And at the end, the user can choose to add a templated message to highlight tips and tricks or to upsell their services in the final correspondence. We put that in, because most of our beta testers were doing that manually to their clients. End of a project, add a perhaps you need to buy this, type message.

Ok, I think we'll leave the how it works part for readers to figure out on their own. I have had a good go at it, and it's very simple. And that's where its powerful – in its simplicity. Easy to use, easy to update clients on job progress, easy to set up the projects in the first place. I see applications in my business as I am running all sorts of projects. And I see a tonne of applications for consultants to advise their clients. Planners, everyone involved in the RC process, architects and the like.

However, and this is important, what are the benefits that your clients and your beta testers clients have demonstrated?

Peter: Well one of the big things is the transparency. Clients can now see where their project is at and when a milestone is hit, they receive the auto AI generated update. That gives them piece of mind and more importantly saves everyone a phone conversation or an email back and forth on where the project is at. That is a huge time saving, money saving, productivity enhancement for us. Two birds – better client service & satisfaction and internally we are much more consistent and less time wasting.

Jarrod: Another angle is for those customers tendering projects. They put a brief blurb about using Zipp in their proposals to their clients, for example how the client will receive AI powered automated progress and behind the scenes transparency. That value-add helps them win projects!

You launched Zipp on August 25, 2025, what's next and where next?

Jarrod: Well, we are constantly refining our offering based on feedback.

Peter: But besides that, we have the final product right now – its live and its making users more productive and providing a better level of service to their customers.

What is the future? What does success look like in 12 months' time (which is an eternity in the world of AI)?

Jarrod: We have penetrated the global market.

Peter: Ok, maybe not that far… Success looks like we are trading, on the ground, within the United States within 12 months.

Jarrod: 1,000 users in NZ.

Peter: I would like us to hit it 300 users in New Zealand –that would mean 250 different companies and from 10 to 15 different industries. Currently we have Architects, builders, surveyors, planners, accountants and lawyers.

Jarrod: And engineers, last week we onboarded a structural engineering consultancy, and that was a great fit for Zipp.

And how did you come up with the price – how much is it again?

Jarrod: Well from our testing, our clients saw that for the value it provides it should be a high price point – that was the feedback.

Peter: This is one of our biggest disagreements! So, we did a survey and decided to provide a low price point, to minimise the barriers to entry in the New Zealand market. It's $24.95 per month per user. Anything higher for such a simple tool, is taking the …well you know.

Does every user have to pay?

Jarrod: No, there is a free tier for small companies. However, a user is essentially a manager overseeing multiple projects -they can have one user on unlimited projects within that small monthly fee. For example, at Survey Worx with 100 staff, we have only five users. Most small companies only need one.

You want to grow your user base right? What is the final message, the final call to action you want me to send out there?

Jarrod: Communication technologies are improving rapidly. AI cannot do what we do alone, so Zipp is here to help improve organisation's relationships with their clients. This software can be the simple improvement to drastically improve your client satisfaction and retention. Get in early to make use of the competitive advantage it provides!

Peter: Zipp gives your clients what they want; transparency and detailed information at their fingertips. Use it once and you'll see that the value it provides clients is not even comparable to the low cost of the software.

And that's the pitch people! Go and try Zipp yourself at GetZipp.com. Thank you to Jarrod and Peter for your time today.

https://www.getzipp.com

DOWNLOAD INTERVIEW HERE

http://www.aenspire.com/xpect/Xpect-ZippQandA-2025.11.04.pdf

Selling #24: Purchaser Management October 9, 2025

Selling #24: Purchaser Management

Now that you have sold them you also need to manage those who have bought them. When your agent sells your existing house, you may not even meet or know who purchased your home and probably will never have anything to do with that person ever again. The agent, at best, may deliver flowers on settlement and keep the buyer in their sales database, following up every year or so. However, when you sign up a buyer for your subdivision then you will be making a significant commitment beyond the assistance your agent provides.

The commitment is proportional to when you make the sale in the development process. Before the section or house settles the agent has a vested interest in maintaining good relations with the purchaser — for the one simple reason they have a commission payment riding on there being no issues until settlement. After the property has settled, the agent has little incentive (except for repeat clients) for engaging with the purchaser (probably also low motivation as it can only mean there are problems). Therefore the agent will be motivated to assist you before closing, and you are largely on your own afterwards.

You will most likely need to deal direct with purchasers on upgrade selections, colour options and physical variations that have been agreed to in their contract. In addition, if you are pre-selling homes or sections before you have consents or before construction has started you will need to keep the buyer's enthusiasm up with progress updates. Even if you have unconditional buyer contracts, this communication will help you if you encounter problems and need to engage with purchasers to renegotiate items. It can also smooth the wheels for when they take over the house. Signing up a purchaser on a new subdivision that will be 18 months before it is delivered requires some commitment by the developer. Don't underestimate the amount of purchaser liaison required.

Purchaser management involves different facets during each stage of the development sales cycle:

1. *Pre-Contract*. As developer you may find yourself directly involved in the selling process, helping the agent as you attempt to convert a buyer to a signed contract. Some buyers will have a lot of questions on timing, quality, design and product specifications beyond what you have presented in your marketing materials. A good agent will sell without providing the buyer with additional detail (the details of which may not even be known when first marketing). However, there will still be questions that get through to the developer. To be prepared, before the next time the same question is raised, prepare and update a list of frequently asked questions (FAQs) for the agents to refer to. You could also put this on your project website and hand out with the brochure.

2. *Contract Signing*. Once the purchaser is unconditional (at least from their side), they are now in your system — so you better have a system! Do not leave managing purchaser information, correspondence and requests to the real estate agent, as they simply won't be as good as you need them to be at it. Too much will be open to assumption and misinterpretation. Your lawyer, who administers the legal side of the contacts, if experienced with projects, should have an electronic database recording and updating all the key details. This database is a good starting point to append all the requirements

you will need in managing purchasers. It will be prudent to protect the information the lawyers are responsible for from mistakes by using a shared but un-editable system where you can link that to your own information requirements. I have developed purchaser management systems and commonly find each project has so many bespoke requirements that you end up using a spreadsheet. A relational database, if properly set up and maintained, is ideal but, just like most proprietary feasibility models, nothing tends to completely fit the uniqueness of each project. There is a lot of information to keep track of and updated, for example:

- Purchaser name and contact details
- Purchasers' lawyers name and contact details
- Section and house number or address
- Plan type
- Sale date
- Sale price
- Variations to sale price
- Deposits paid
- Deposit interest accrued
- Settlement costs to be added (land tax/rates)
- Settlement sum remaining
- Upgrade costs paid
- Colour option selected
- Upgrades selected
- Variations to plans, design, specifications
- Special conditional clause dates (planning approval, presales, sunset, pre-settlement access)
- Special terms (variations from standard contract)
- Agent details who sold, commission paid and outstanding
- Scan of actual sale and purchase agreement.
-

3. *During Development.* During the pre-sales, consenting and construction period it is mainly a one-way communication approach with you updating the purchasers on the expected completion date and showing progress. It will quickly become two-way if you do not provide regular enough updates, or the updates don't reflect the purchaser's original expectations. This correspondence is also an ideal marketing opportunity to use your purchasers to help market your development to their associates, friends and family. The way you do this is by providing high quality communications emphasising

smooth progress (regardless if it is or not) that include subtle incentives for your buyers to forward it on. Consider these categories of communication:

- *Section or Home Specific*. This is primarily to show where you are at in the delivery programme with the purchaser's individual house, section or super lot. You could provide a site photo and extract where the builder is currently at from your project minutes, for example, 'roof complete, pre-lining commenced'. This one to one correspondence will be via email and you may also be addressing specific requests from the purchaser at the same time.
- *Project Specific*. This is to give updates to all purchasers in the project. This is best done regularly (say every two months or at milestones when you have something new to convey). It could be acknowledgement that consent has been approved, a drone flyover showing progress of civil works, a photo of the ground breaking, the first roof on, the first houses settling and buyers moving in. You could use email, social media, a mailed project newsletter or link to a progress page on the website. You may discuss how well sales have gone if you are almost sold out, use it to profile the next stage or discuss new amenities in the area that will add value to any buyer's purchase. Put enough in the communication that the buyer feels proud of their purchase and wants to spread the word.
- *Company General Newsletter.* Use email, social media, and/or mailed (yep, via a postman) newsletters to correspond to your buyers about your company's projects, success, interesting facts, milestones, introduce new employees and profile recent buyers. Set the newsletter up to be regular and have someone dedicated to producing it. Demonstrating the success of your company will instil confidence in the buyer that you can deliver. You could include a 'For Sale' page, showcasing other projects with sections and homes for sale. You could offer preferential terms before public release of new projects or invite them to events. Consider interviews with key partners such as financiers, urban designers, architects, interior designers and contractors. You could interview local politicians and key people in the community like principals and retailers. You can also include testimonials or quotes from buyers who have recently settled and moved in.

4. *Pre-Settlement*. As the section or home nears completion you should increase correspondence explaining when completion is likely. Provide buyers an estimate of when a call to settlement will be made and manage expectations around the margin of error. Most likely you will be relying on a local authority approval for meeting all conditions of building consent or the legal certificate of title. These approvals can take time and experience delays so you can only give your buyer an approximate settlement date. The buyer will push for exact dates for a number of their own reasons (for example, they have to organise funding or cancel the agreement on the place they currently rent). Don't over promise, and make the purchaser well aware of potential delays.
5. *Purchaser Inspection*. Prior to settlement you should organise a purchaser inspection — at least if there is a house. This inspection is the best time to note down any defects as it is before they or their tenants move in and start to damage things themselves. Items identified now can be relayed to the builder to be fixed before the home is occupied. You or your project manager should be present with the purchaser and take great notes and

photos. Don't leave a pre-purchase inspection to the agent because defects often become a point of contention with the purchaser later on. Also refrain from making promises that any defect will be remedied before the purchaser settles and certainly do not leave the purchaser with the expectation that fixing something minor is a condition before they settle. It shouldn't be. At this time the buyer may require other documentation for funding, so have a pack of information ready that can be quickly tailored to each buyer and their valuer if requested.

6. *Settlement*. Finally, you will start to receive income, but plan ahead to limit inevitable last minute hiccups. Have your lawyers followed up to make sure settlement does happen within the contractual period? Have requests to extend settlement been dealt with? Do they have all the correct information as to the full cost of options and variations so they can adjust the settlement price? Have you organised the set of keys (and security alarm codes, garage door openers, swipe cards)? Ensure all official documentation has been provided to purchasers. This can be provided as part of a 'New Property Owners Welcome Pack' including:

    - Warrantees and guarantees from suppliers.
    - Maintenance guidelines and schedule.
    - Manuals (appliances, security systems, plant, fire systems).
    - As built drawings, specifications, colour schedules, utility maps.
    - If delivering sections, any house plans promised, geotechnical completion reports and consents to be complied with.
    - Any Home Owners Association or Body Corporate rules and regulations and contact details of the manager.
    - Documents required for insurance.

The welcome pack is to look professional and to pre-empt inevitable questions later. Provide a compendium that includes photos (perhaps at milestones during construction), describes amenities in the area and summarises, in everyday language, key purchaser questions like connecting utilities, security systems, evacuation processes, limitations on noise, signage requirements, business use restrictions, visitor parking, garbage collection, mail, couriers, use of loading areas, allowable times for moving furniture and replacement of smoke alarms.

7. Post Settlement. Now that the agent has fulfilled their commitment (they have their cash) you are on your own with the purchaser. The main communications will concern remediating defects. It pays to have a good record and scheduling system to manage defects as the process can get very cumbersome. Consider this approach:

- Clearly advise the buyer of the procedure and deadline for notifying the developer of defects and the period the developer has to complete defects. This should be spelt out in the sale and purchase agreement but there may also be legislation that regulates this. Limit multiple off-the-cuff requests by asking buyers to submit one full and final remedial list. This won't always happen but use your best efforts to minimise the back and forth to make it easier for you and your builder to get the work done.

- Have defects agreed first. Some items the purchaser will raise will not be a defect — it may just be how something is designed. You may have to argue some points with correspondence from your architect.
- Reconcile the purchaser's remedial list with the builder's to-do list that has already been provided by the architect (if these issues have not been dealt with prior to settlement). Give the builder one list per house and as many houses at the same time as possible — this helps them organise sub-trades more efficiently.
- Where defects need to be fixed when the house is occupied a degree of decorum and practical sense is required. Allow direct contact between a sub-trade and the occupier for access only when you have established the relationship will work. You want to first ensure that the sub-contractor will leave the place clean and that the occupier commits to being available if required for access.
- Database everything: when remediation works are scheduled to be complete; who is doing it; and contact details for owner, tenant, subcontractor, main contractor, property manager. Tick off issues when the works are complete, inspected and have been 'approved' by the purchaser.
- Communicate with each purchaser, using one updated master list, showing what has been completed, what is outstanding and when it will be complete. This helps mitigate multiple lists appearing for each house and incorrect assumptions from all involved. Communication can often get murky when the owner does not occupy the home and there is a tenant and a property manager involved.
- Where the issue is a manufacturer's defect, encourage the home owner to contact suppliers direct, especially for items like appliances. This will ultimately be easier for buyers moving forward.

8. Post Project. Continue distributing your company newsletters, emails and social media feeds to your previous buyers. They can be a valuable revenue source for your next profitable project.

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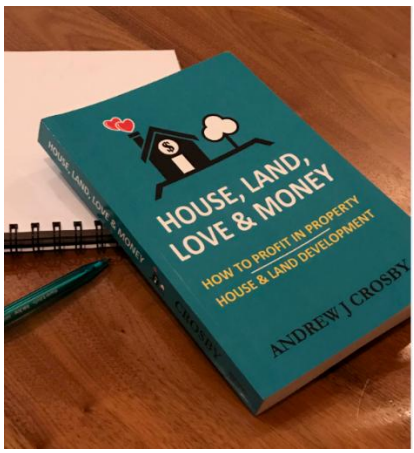

Selling #23: Sales Management October 5, 2025

Selling #23: Sales Management

Agents need to be closely managed. They are your direct link to the income you need to generate and that will determine how profitable your project will ultimately be. Many lone real estate agents are not the best at organisation and structure — the 'salesman gene' often in conflict with the 'organisation gene'. They can be more difficult to manage. Agents who have project teams with a mix of sales gurus and organised administrators experienced in selling projects (as opposed to one-off houses) will typically have good systems in place that allow them to be more easily managed.

You should have regular weekly meetings with your agents, and get to know all the agents in the team that will be involved in selling, as well as the administrators in the background (whom you will depend on to get deliverables such as marketing feedback and produce advertisements).

Think of it as the developer's job to keep your agent motivated throughout quiet periods and especially after the initial excitement of launch dissipates. Keep the agent focused on your project — they will have other listings as well if they are any good with equally demanding clients. Great rapport and communication is critical. Make sure you are talking to your agent on the phone, texting, email, having lunch, coffee – whatever, but you should be communicating almost every day. Not only are you following up on their performance but you are communicating your performance at delivering the project. So the conversation is as much about how their sales are going as it is about how your planning approval or construction is progressing. In a standard listing the agent only gets paid when the sale is unconditional and/or settled. That can be 12, 18 or even more months from launching the project. It's a long wait for the agent to get paid, so you need to keep them focused on the riches at the end and how relatively close that is. Otherwise they may start to think about cutting their losses, especially if issues start to arise that potentially put the project in jeopardy. Whilst few will terminate the listing (as presumably they have made some commission payable sales) their motivation will wane and they will look for other projects to work on where the commission comes quicker. This is also one reason for using agents who have a dedicated project sales team, as the agents are experienced and used to the longer term nature of the project sale.

Sales management will follow one of two different directions depending how sales are progressing.

Sales Going Well

When sales are meeting or exceeding expectations then sales management is all about maximising your sales prices and making sure you don't sell too cheaply or do suboptimal deals. Mainly you can let your agent do their thing since it is obviously working. However, when signed sales contracts are coming in thick and fast, regularly sit down with your agent to make sure you are not under-pricing your product. Where possible push your prices higher. As tempting as it is to raise prices to increase your profit make sure you don't push beyond what the market will bear. If you push too hard you run the risk that your product sits around a lot longer and goes stale with your sales programme losing momentum.

This is a good time to look at trends and sales velocity and to keep ahead of the competition. Measure the number of leads that are being generated, the conversion rate and

look at improving it even more. Obtain the records of everyone the agent has been in contact with (the agent may be reluctant, but it is your project, your money and your leads). Question the agent on who the potential buyers are and what motivations the agent has uncovered — this could provide valuable details that help you make tweaks that further maximise profit. It is also the time to reconsider releasing further stages earlier to take advantage of good sales. Further, make sure the agent is still working the project hard. With the pressure off they may get complacent and expect contracts to just happen, rather than hunt down the best deals.

Obviously the key output of sales management is to help make sales. How do we make sure that happens in the first place? Well some reasons are within your control and others, unfortunately, are at the whim of the market. Reasons why sales are going well:

- You are priced right, offering more value compared to your competition.
- Your research paid off and you found a product type demand gap in the market.
- You are not forced to raise your prices above the market — such as caused by delays or rising construction costs or paying too much for the land in the first place.
- Your project is underway, and the objection to when you are going to start construction has disappeared.
- Your design is attractive to your target market.
- Your location is better than your competitors'.
- The market is on an accelerating cyclic upswing.
- Your agent's team is well organised and knows how to sell.
- You are marketing the right message to the right targets in the right way.
- New competition hasn't eventuated.
- Supply in your effective real estate neighbourhood is decreasing (and demand is stable or increasing).
- Expected positive externalities have come to fruition, or new ones have opened up — such as a new shopping centre down the road, a new school opening or a new park.

Sales Not Going Well

If sales are slower than planned then sales management is all about fixing the problem as quickly as possible. Property development is a constant process of evaluation and decision. You must decide and move forward otherwise your sunk costs and debt will eventually catch up with you and could sink the project — and maybe your solvency. Therefore if sales are slow and you cannot legitimately adjust your expected timeline (delay construction for example) without onerous costs impacts (and there typically are) then you need to make new decisions.

Firstly, identify what advertising plainly isn't working and what is working. This is where measuring how your advertising is working becomes more important. Look at the advertising channels you are using and the message you are trying to convey. If something is working then do more of it and change or stop what isn't working. If you can't figure out why something isn't working then change it anyway. How many leads are being generated and how many of these

leads are being converted? What specifically can be done to increase more leads of the type that have a higher chance of being converted?

Secondly, review the objections to your product. There must be some as you are not selling! This is when it becomes important that your agent keeps diligent records and asks potential buyers all the right questions. If you don't know the objections then you are flying blind. Get your agent to question everyone to solicit the real objections and form a database of responses. Be wary of the last anecdote the agent heard an hour before your meeting. Analyse this information so to form a picture of what the problem is. Uncovering the real objection is a challenge, but you must try. Of course there is always a price that solves all objections.

Thirdly, see the agent (and their display suite staff) in action and use a secret shopper to visit the display suite during open homes. Make contact via the website, phone and email using friends or aliases. Is your agent doing your product justice and can they actually close sales? Are they working the market or just turning up to meet and greet? Meet other agents to garner their opinion (acknowledging they will likely say almost anything to get your listing, but some will point out big issues with your product or sales approach as they see it). You need to determine if the problem is *how* you are selling as opposed to *what* you are selling. If it turns out you just have selected an incompetent or lazy agent, then make the quick decision to use someone else. This is why having a performance clause in your listing agreement is useful.

Fourthly, canvas wide opinion and relook at all your research in light of the current market. From what you have identified from everything above figure out the reasons why you are not selling, these could be:

- You are forced to price your product too high (therefore offering less value than your competitors) because you paid too much for the land, construction costs were underestimated or are rising and/or are having delays with consents.
- Your research has been poor and you have not identified the correct surplus demand capacity or the right product.
- Advertising is not reaching your target market (you are doing too little advertising, in the wrong publications or not creating a high enough profile and buzz in your effective real estate neighbourhood).
- Advertising is not conveying the right marketing message to describe your products value to the target market
- Marketing messages not aligned to the target buyer's criteria. You might have assumed the target market is already looking for your product, when in fact they may need to be educated in your product in the first place (for example, three bedroom homes in a larger home suburb may go unnoticed until you educate buyers interested in this location of your smaller homes' superior value).
- Your functional design is lacklustre compared to your competitors (for example, the second living area should really be another bedroom, or everyone needs double car garaging in this location).
- Architectural aesthetics have missed the mark — it doesn't look good to your target buyer profiles.
- Your agent and sales team are not performing.

- The project has lost momentum and gone stale in the market. People now gloss over it and ask ‘why should I buy if no one else is?’ Or other negative perceptions persist such as the product now appears cheap and low value.
- The market has flattened and the media have turned negative on housing — you have missed the market upswing, or caught at an inflexion point.
- Affordability and available funding for your purchasers has decreased.
- Investors have left the market — investment yields are too low or banks are tightening up lending criteria.
- Your target market has left the effective real estate neighbourhood (foreign investor restrictions, immigration issues or the location is overtaken by a new type of gentrification or has entered a decline).

Finally, recalibrate your sales and marketing strategy to fix the problem. If the problem is minor (perhaps you haven’t been sending out a strong enough call to action, or advertising is slightly off target), then you may only have to tweak what you are doing. If your product is simply overpriced and you have no room to move on construction costs then you will need to make some big changes such as redesign or, worse case, cancel the project.

It can be demoralising to have to make significant changes, especially with all the hard work done to date. Unfortunately that is the reality of property development whether you are first time or experienced. There are so many variables difficult to control, or completely outside of your control that rarely does a project proceed without issue and some degree of change and rework. In a rising market, these issues are easily covered by the flow of money; in a down market the lack of money exposes and amplifies the problem.

Price solves most problems, even in the worst of markets and underlies many of the reasons above (someone will pay if the issue is appropriately discounted). Everything has a price and the quickest way to recalibrate your marketing is to leave everything else in place and lower the price. However, reducing your price should be a last resort even if your project can afford it. Throwing incentives (such as free holidays or reduced first year interest rates) to potential buyers is a half way measure, perceived by many as simply avoiding lowering the price. Including upgrades is a more discrete version of throwing incentives at buyers, but you have to get them in the door in the first place.

To maximise your profit, make sure you are comfortable and capitalised to enable new decisions and make potentially significant changes as part of your sales (income) management.

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Selling #22: Launch September 30, 2025

Selling #22: Launch

After all this you mean we can finally launch our development? The launch can be key to your sales and marketing strategy. Like advertising, agents can receive significant profile on your ticket when launching a development, so make sure they don't over-embellish the opportunity. You may decide to have more than one launch as you target different buyer groups or if you are offering different products (like a new stage). Launching the development is both an exciting and nervous time and the options to best present your project to the market are only limited by your imagination. Here are some examples:

- *Registration of Interest*. You advertise limited information about your project in order to collect a database of interested buyers and feedback before you formally launch. Sometimes used to test the market, the feedback may influence your development and how you subsequently launch.
- *Soft Launch*. This is where you sell homes or sections without any formal or advertised launch. It may be to your database of buyers, your social media network, repeat customers, friends and family or direct selling from the agent. A soft launch may be accompanied by something more formal later.
- *Traditional Launch*. You take out the best advertising your budget allows and with website operational and an open home time you invite buyers to your display suite the following weekend. This is when all your marketing collateral is complete and you have everything in order to close sales.
- *Formal Function*. Typically a few days before public release you hold a formal function onsite or at your display suite. This could be an evening wine and cheese or hors d'oeuvres formal event with noted signatories like the local mayor or politician giving a speech.[1] Invite consultants and contractors to be part of the audience. The event may double as a party to congratulate them on their efforts on the development to date. The key for sales is to have your agent bring as many VIP potential buyers along to this event.
- *Associated Launch*. This is where you dovetail the launch of your development with some other unrelated event to entice potential buyers to attend. Of course you will need to find some loosely related link to your development. It could be a 'learn how to cook' event from a local celebrity chef, 'how to make drinks' from a barista or mixologist, or a new furniture brand launch — all in your display suite.
- *Special Cause Event*. This is where you launch your development under the guise of, or in combination with, a special cause. It may be a large charity donation, providing affordable housing, providing community amenities such as a new playground or clubrooms or opening a farmers' market. This can be made all the more attractive with the pulling power of a local celebrity.
- *Big Carrot Launch*. Think timeshare, where you win a holiday to some exotic location for attending (only to find out airfares are not thrown in) or any other sales gimmick. Attendees to the event have a chance to win a car, a furniture package or some other prize to go with the house they are about to buy. You could offer 'attendees only early

bird pricing' for your sections and homes. If you are this way inclined, try to make the carrot as tasteful and related to your development as possible, rather than some type of used car promotion.

- *Investment Seminar*. Typically held in the ballroom of a central city upmarket hotel, your development is promoted as an investment opportunity to attendees — either on its own or in conjunction with other investments touted by the organisers. Choose your promoter partners carefully as this space is rife with sharks and charlatans.
- *Milestone Launch*. One of the most well-known examples is the breaking of ground, with the obligatory photo of the developer and a politician pretending to turn the first sod of dirt with a golden shovel. Another is the cutting of the ribbon by developer and proud home owner to indicate the first home in the project is complete.
- *Media Launch*. Housing is always in the news and if you are creative enough or just lucky enough to be on the right side of something topical you could get your project's launch into radio, television or print as an item of news. Having a politician or celebrity attend also gives you a better chance of making the news.
- *Auction*. This is when you kick off your development with an event that surrounds an auction to draw interest and an immediate call to action. In a really hot market, where you know you are going to have oversubscribed interest (multiple bidders per property) this can work really well.
- *Influencer*. Either using someone with some sort of celebrity status or a staged event to essentially advertise your development through the influencers social media networks. The 'subtle' influencer endorsement creates a call to action to buy. Or the staged event gets so much attention, your development reaps in the publicity. Either way the goal[dream] here is for a post to go viral, and garner attention that builds upon itself, until that post itself is reported in the mainstream media. Early days for selling developments in this 'influencer' space, although sporting personalities have always been tapped in real estate.

The primary goal for your launch is to create enough buzz to make sales quickly and propel the project forward — profitably! To maintain sales momentum and profile in your market you may consider using a regular combination of the above during your sales programme.

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[1] To secure the attendance of the mayor to give the opening speech I once held a launch event in the middle of the day, in a marquee on the vacant development site — it received local newspaper and television coverage.

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Selling #21: Sale and Purchase Agreements September 23, 2025

Selling #21: Sale and Purchase Agreements

To sign up your buyers you will need a sale and purchase agreement. In many jurisdictions there will be a standard sale and purchase agreement put out by the local professional real estate association. These contracts cater mainly towards existing home sales and often are not always appropriate for new developments, especially where you are pre-selling the home before construction is complete. Therefore, a bespoke sale and purchase agreement or a number of special conditions attached to the standard S&P agreement is typically required.

The sale and purchase agreement should identify the section or house number and the price. Typically you will include the house or section plans as well as outline specifications. For the developer the less information that is included the better to provide maximum flexibility. For the buyer the converse applies.

As a developer you need the sale and purchase agreement to both lock in the sale and protect you from implications that arise due to obstacles and unforeseen issues during planning, design and construction. You also want to protect the value of the development as you continue to sell it down as well as potentially lock-in further revenue streams. Engage an attorney to draft a number of *pro-developer* vendor clauses[1] into your sale and purchase agreement to address potential issues, for example:

- The right to cancel the contract if a planning or building consent is not achieved.
- The right to cancel the contract if a minimum number of sales is not achieved.
- The right to cancel the contract if unforeseen events prevent completion of the homes. An aggressive clause would be for any economic or practical reason, like an increase in construction costs and a conservative clause would limit it to war or acts of god.
- Ability to make like for like replacements in the specification without consulting the buyer — this is so you are protected if an item (like the type of tile) becomes obsolete and no longer available.
- Minor changes can be made to the plans without consulting the buyer; you need some wriggle room to make changes that may be forced on you by regulatory approval process or design issues that were not fully resolved at the time of marketing.
- Prevent the purchaser from lodging complaints, or taking legal action over noise resulting from construction and marketing activities on the development site. This is important where you expect to settle homes while construction is still underway nearby or when you have future stages to complete at a later date.
- Right for the developer to provide exclusive utility, property management, property maintenance, and other services to the property and could be accompanied by restrictions on whom the purchaser may use. Typically this is registered on the title as well so the condition runs with the land rather than the home buyer.

- Right to create easements, rights of entry and access. You may need to provide for services that run within private boundaries, maintenance strip easements allowing others to access tight spots to undertake work and shared private driveways. These 'instruments' will be registered on the titles.
- When selling sections, there are covenants on the timing, type, design, size, and/or value of the house that must be built on the section. Similarly you may want to stipulate restrictions on what is allowed to be onsite prior to construction — no caravans or trash or unsightly mess.
- Rules describing how long the buyer has to advise the developer of defects to fix after settlement.
- Rules of conduct required within the development once settled such as keeping front yards clean, no washing on decks, no business signage, no real estate signs, noise limits, and anti-public nuisance regulations. There could be local authority rules and existing legislation that limits what you can enforce.
- Rules over occupation such as maximum cars per household, maximum people per household, whether the house can be rented and minimum or maximum durations of rental and who the house can be rented to. There is highly likely to be local authority rules and existing legislation that limits what you can enforce (or even ask for).

Pro-developer does not necessarily mean *anti-buyer,* as value protection clauses do ultimately benefit the buyer. Many of these clauses can be used in marketing the development, distinguishing it from the competition.

Developments take time, markets change and the contract you put in place now may have to deal with completely different issues later. Clauses that seem extreme in a buoyant market come into their own when markets change or circumstances turn sour. These clauses are one of the developer's best risk mitigation mechanisms. If the worst happens and your project has negative value (you are about to lose your shirt) having a clause allowing you to cancel the contract and re-sell it at a higher price or renegotiate the price can save your profitability.[2]

Of course, just because you include a restrictive clause in the agreement does not mean a savvy purchaser will agree. In a hot real estate market you may be able to secure a very one-sided developer-friendly contract as buyers are competing just to purchase the property. Conversely, a soft real estate market quickly results in soft, pro-buyer clauses in order to get sales. Sometimes these can have negative implications. For example, when sections are oversupplied and the developer just needs to get out, covenants may become less restrictive on the quality of house that must be built (so to increase the buyer pool) and this can result in an upmarket subdivision becoming downmarket in later stages quite quickly.

Pro-buyer clauses include:

- Ability to cancel the contract if completion or start of construction, or issue of title is not by a certain date (sunset date). This is almost always requested by purchaser's attorneys if the developer has a clause that allows them to cancel the contract if minimum sales numbers are not reached. If you agree to sunset dates ensure you give yourself months if not years of contingency for the unexpected. There is no point committing to a date that is unrealistic unless everything goes perfectly (because it rarely does).

- Withhold a final payment (retentions) to incentivise the developer to remedy defects.
- Staged payments of deposits.
- Sections or super-lots, what is commonly called ‘builder’s terms’ clauses. These allow the buyer to have access to the section upon local authority approval to start construction and settle the land months later.
- Compensation if size changes by more than a certain percentage (for example, if section size is smaller by 5%).

Sale and purchase agreements have different formats for a tender or an auction. For a tender the agreement may list the documents provided for the purchaser to consider as well as conditions that will or won’t be entertained. For the auction, typically it will be a take it or leave it contract, occasionally allowing flexibility on settlement timing.

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[1] The vendor (developer) can choose to invoke the clause, not the buyer.

[2] This is another area where legislation in your jurisdiction may already have strict rules in place that you must follow.

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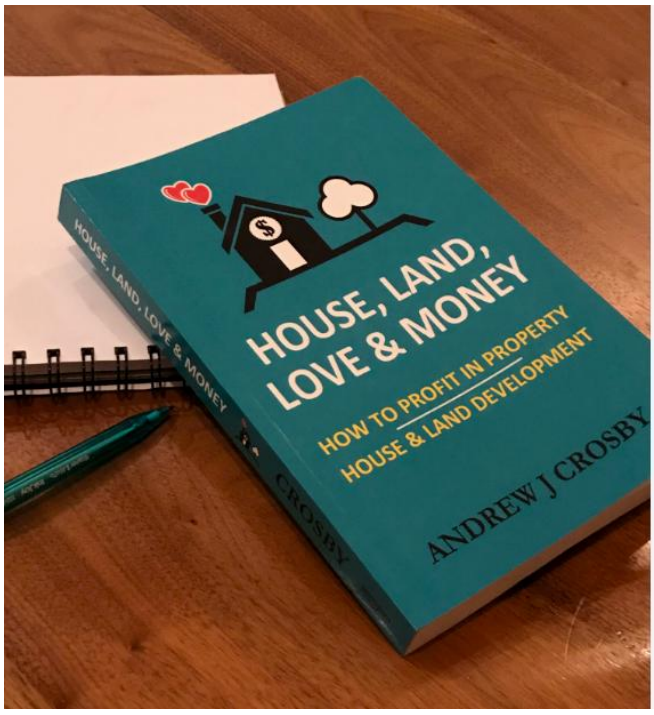

Xpect Exec: Bonus Time September 19, 2025

Xpect Exec: Bonus Time

Lets talk about Bonuses. The last time I was a full time employee I spent an inordinate amount of time on developing a performance & incentive scoring, ranking and bonus scheme for the entire company (80 ish staff). My board threw me some google (or some tech giant) book on KPI's (Key Performance Indicators) to kick it off.

Take out 9 sales consultants who basically are all bonus and I had to develop a bonus structure and system for 70 odd people, about 40 different positions* Well to be fair I had some 'guidance' from the Peoples Republic, probably a team of them up there. But I had to do a tonne of research of all the systems in use around the world by various companies so I could rebuild what was presented to me to make it workable in NZ for New Zealanders in our vertically integrated property development design construction and sales business. And I had previously rewritten everyone's job descriptions as part of a massive restructure process to help me out on that.

Anyway, it took ages, it was comprehensive. With this knowledge it now means I am somewhat an expert in developing custom performance and bonus structures. I have even subsequently developed a templated software easy enough for SME to use it. But I customise extensively depending on the nature of the companies requirements, their organisational structure and staff roles. And I understand many of the issues that come up with setting bonus and KPI's and the performance or not that results.

So if you are considering a performance and bonus structure for your organisation – give me a call. 021982444

And remember this golden rule: *If you promise a bonus and the employee succeeds in the KPI's you set AND you don't pay the bonus on time or worse you don't pay it at all, you don't deserve to be in business.*

There is an onus on you to pay the bonus!

Key Performance Indicators: At Xpect we have built a KPI engine, an elegant and robust Key Performance Indicator framework that you can use with your staff to incentivise performance, increase new business and have everyone focused on the prize(s) that matter for your companies success.

Price on application.

And we recently built a specialist bespoke KPI for a local builder/developer in NZ:

"Andrew, the KPI tool you have put together for me is fantastic. I must say, it has dramatically transformed the way we manage and track our key performance indicators. From the moment I started using the platform, I was impressed by its user-friendly interface, which makes it easy for both beginners and seasoned professionals to navigate effortlessly.

One of the standout features is its customizability. You were able to tailor the dashboard to fit our specific business needs, allowing us to monitor the KPIs that matter most to our team. The visual representation of data is intuitive and effective; the chart presents information clearly and enable us to quickly identify trends and areas that require attention.
You deserve a special mention for your responsiveness and expertise. Whenever I encountered a question or needed assistance, you were quick to provide thorough and helpful answers.
In summary, the KPI Indicators is an exceptional tool for any organization looking to sharpen their focus on performance metrics. It enhances visibility into key data points and facilitates informed decision-making, ultimately driving our business forward. I highly recommend it to anyone seeking a robust KPI management solution. “

Steve Palmer
Managing Director
Hi-Tec Property and Developments Limited

———-

*The list of positions.
CEO
CFO
Investment Director
Development Director
Compliance Director
Operations Manger
Construction Manager
Senior Project Manager
Project Manager
Site Manager
Fence & Truck Guy
Maintenance PM
Maintenance Admin
CCC Manager
Head QS/Commercial Manager
Senior QS
Intermediate QS
Junior QS
Head of Sales/Marketing
Marketing Assistant
Health & Safety Manager
Development Manager
Junior Dev Mgr
Acquisitions Manager
Senior Architectural Designer
Architectural Designer
Junior Designer
Consents Administrator
Information Systems Manager
Sales Admin

Receptionist
Company Accountant
Assistant Accountant
Customer Service Manager
Payroll Administrator
Civil Project Manager
Cost & Compliance Manager
A few others I can't recall the Titles....

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Xpect Exec

Connecting corporate boards and executives with real experience.

What advice are you receiving to make property development decisions in your corporation?

Consultants, are you providing your clients with advice from those that have been in your client's very shoes?

Learn the tactics and strategies from those who have actually been the CEO of corporate property development and construction companies responsible for hundreds of millions of dollars of financial decisions and delivering thousands of homes. Acquire value from a wide breadth of C-level experience in the private, public and not-for-profit sector.

XPECT
EXEC

Selling #20: Publicity September 18, 2025

Selling #20: Publicity

[This section could do with an update due to the rise of influencer marketing and PR and trying to go viral, although I am not sure too many real estate developments really have been successful like some consumer brands have been.]

Receiving positive publicity for your development can trump all advertising combined. I have seen one newspaper article dramatically transform a development that wasn't selling to almost sold-out in three weeks. For large developments you might employ a public relations agency to run a publicity campaign.

Getting the right type of publicity is not always that easy. Using social media runs a fine line between blatant advertising and trying to drum up positive public relations (PR). Once you start, the publicity route can be tricky to navigate. If your development strikes issues (and they often do) PR can work against you and amplify controversy.

Therefore, if sales are already going well consider not engaging in overt publicity.

Nonetheless, here are some ideas to help generate positive publicity with the ultimate aim to sell faster, for higher prices and increase your profit:

- Pitch for editorials and news items. How does your development become an editorial? Pitch stories with a unique angle to the local newspapers and magazines. For example, promote a personal interest angle (such as a couple buying one of your homes), an exposé about you the developer, or a piece about the architect indirectly referencing your project (because of all its high technology features or because your development is part of a larger location gentrification story). All you have to do is try to get a story written about your project that convinces buyers you are offering great value with a fantastic product in a superb location and everything is going extremely well! You may just find that a deadline is looming and the editor or journalist can use your story to fill the page.
- Associate with other businesses, charities or products (such as the development site being used as the background to launch a luxury car model, or the display suite for a fashion show). Indirectly attach your project to the publicity they generate.
- Stage events inviting prominent locals. Inviting the local mayor, politician or celebrity to your development opening will increase media exposure.
- Create community functions that attract local interest stories (such as farmers' markets, night markets or sports tournaments).

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Selling #19: Advertising September 15, 2025

Selling #19: Advertising

[NOTE: This section of the book can do with an update, given the dramatic changes in social media, search and AI over the last few years.]

When you ask most agents for their marketing strategy they send you an advertising budget. Advertising is not marketing. Advertising helps you spread your message whereas marketing is about creating and massaging the message. Of course, the two are inextricably linked — your marketing strategy helps determine what advertising you will use and the form of advertising available in the market influences how you present your message. Advertising mediums include:

- Direct selling — agent or developer targeting existing contacts, or simple old canvassing and cold calling.
- Internet — agent website, market wide multiple listing websites, online adverts, social media.
- Specialist real estate magazines.
- Signage — bus-backs, bus shelters, billboards, on-site advertising boards.
- Newspaper real estate sections — national, regional, local, ethnic.
- Target market publications — flight magazines, community publications, foreign magazines, home design magazines, financial and investment publications.
- Advertorials in publications and newspapers.
- Flyers and postcards — distributed around the neighbourhood, mailbox drops, placed in retail shops.
- Radio advertising.
- Television — mainstream channels, cable, community or ethnic channels, on-demand internet TV
- Sponsorship — local sports teams, charities, radio or television programmes partnerships.

Advertising needs to be budgeted for accordingly. Have your agent provide a breakdown of all proposed advertising mediums and their cost over a one, two or three month sales programme. Challenge the agent on each medium asking them to present the evidence to justify you paying for this advertising. Listing your project and individual sections or homes on multiple listing websites is very cost effective and let's face it — everyone who wants to buy a home is looking at web listings every day, throughout the day. Therefore, do you even need a newspaper or print publication advertisement?

Maybe, as it can help reinforce your project in light of the competition and great advertising can be lost on the internet as compared to in print. In addition, when you list on the internet you have to define specific categories about your homes or sections and therefore you are relying on

the buyer's search criteria finding your project. If yours are the only sections being sold in your area, potential buyers who have not considered buying a section versus buying a home and land package may not even know your option exists.

Establish a way to measure how effective your advertising is. Ideally you will determine your cost per sale for each form of advertising. With real estate advertising typically utilising multiple channels (and many building on and reinforcing others) this will be near impossible to calculate. However, make your best effort to record the data and measure over time. When the agent holds open homes or gets contacted by a potential buyer get them to ask and record 'how did you find out about us?' A second more powerful question is 'what made you contact me *today*?' Try to determine what advertising is best at attracting buyers and what advertising has little effect.

When placing print adverts the location and prominence on the page is important and the publication will price accordingly. Expect to pay more for a right hand side page than a left hand. A full page costs more than a half page which costs more than a quarter page (but not necessarily proportionally). The cover is prime advertising real estate, often accompanied by the inside cover and first page for a three page spread. The rear page is also sought after. A typical approach is to launch your development with prime adverts and continue with full page adverts in the first month. Then, if sales are progressing according to expectations rely on smaller adverts. Expect to do more advertising in a softer market.

Agents like to profile themselves as much as possible and love having their photo attached to all advertising — it helps them get facetime in their market and win their next listing. This is not necessarily a bad thing for your development but you must be careful to balance the development branding so it does not unduly compete with the branding of the real estate agent or their agency.

Whichever medium you use you need to employ your price setting strategy to advertise your price. Price positioning can include several techniques to draw buyers, for example:

- Prices start from $500,000
- From $500,000 to $750,000
- 4 Bedrooms $600,000, 5 bedrooms $750,000
- One left at $499,000
- First release pricing $399,500
- All priced below $599,000!

You may decide not to present a price and use by negotiation, tender or auction. However, you definitely want to instil a call to action. One way is to advertise how successful the development is and how many units you have sold. Overtime, buyers who look at the same advert each week see available stock decreasing — this can act powerfully to create a sense of urgency. Advertising 'call to action' examples:

- 30% sold out!
- 30% sold out first weekend!
- Only seven left!

- 15 sold, 3 remaining!
- Averaging 10 sales per week, only two weeks inventory left!
- All four bedrooms sold out — only five bedrooms remaining[1]

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[1] Be careful this doesn't create a negative reaction in a buyer — why does no one want the five bedrooms?

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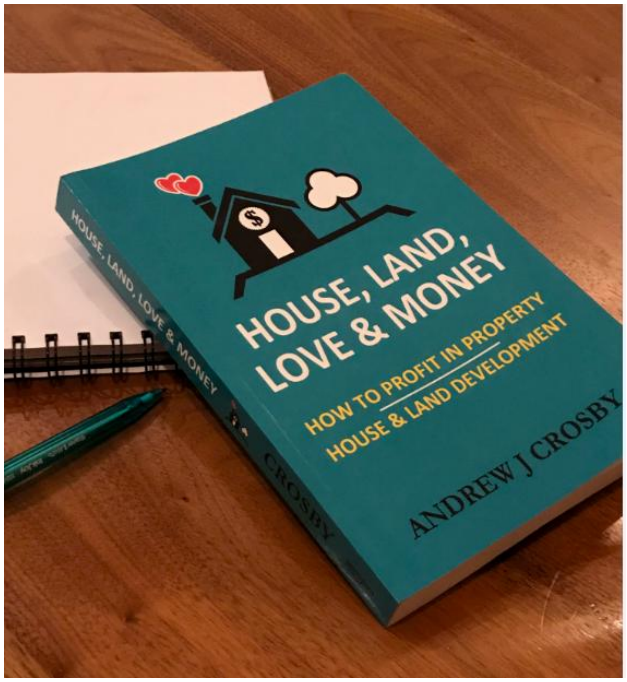

Selling #18: The Display Sales Suite — Where Are You Selling? September 10, 2025

Selling #18: The Display Sales Suite — Where Are You Selling?

Where the agent is going to be doing the selling influences what marketing collateral you will use. This will be the place where you present the marketing that describes your development. Here are four options of increasing expense:

1. Sell from your real estate agent's office. Have them dedicate wall space, a corner or even a separate room to market your development.
2. Sell onsite in a temporary building or within an existing onsite building.
3. Build a semi-permanent custom sales suite and display either onsite or in space nearby.
4. Build the first house in your development as the show home.

The larger and more luxurious your development the further down this list you will likely need to go. Once you have construction underway you could fast-track one home to act as the sales suite for the other homes in the development. For options 2 and 3 you can include building a mock-up of key features to give buyers a preview of what they will be purchasing, for example, a kitchen or bathroom complete with flooring, joinery, fittings, fixtures and appliances. If you do build in examples of what purchasers will be receiving then you need to decide whether you show the base specification or upgrades and optional extras. If the latter, then the agent will need to carefully sell potential buyers on what is the base and what is an upgrade.

Plan the layout of your display suite to enhance the sales process. Involve your agent in the layout. The entire sales suite should be designed to close sales. Help the agent tell the project story in a logical flow like a fully immersed live brochure. Here is an example of the agent interacting with a potential buyer in a well-designed display suite:

- Provide a comfortable entry setting to enable the agent to build rapport with buyers and uncover their needs and priorities. This may be an inviting reception room where there is plenty of space and maybe some couches for people waiting.
- The agent then takes the buyer into the display firstly describing the background of the project, the developer's vision and the greater location — selling the big picture aided with printed and interactive displays.
- To reinforce quality and deliverability the display may present a brief synopsis of past projects and experience of the developer, builder, architect and urban designer.
- The display progresses to outline the site plan and amenity of the development — perhaps a spectacular model — to illustrate all the benefits why one should buy in this subdivision.
- Then the presentation can focus on the individual sections and the features and benefits of each. This may be on the model, through large rendered site plans, or computer

animations where you can zoom into individual sections and view the topography and building platforms.

- Floor plans, renders and computer generated animations allow the agent to present the types (size and design) of homes available (or suitable for, if selling sections). Attention is limited to high level key benefits at this point (such as two living areas so the kids can play without disturbing the adults and a great deck for outdoor summer dining).
- Before delving into too much floor plan detail the sales suite evolves into a mock-up of the kitchen, living and bathroom. This is where buyers can touch and feel the product and imagine themselves (or their tenants) living there.
- Material palettes, colour options and any upgrade options are displayed so the buyer starts to personalise (in their mind) their potential purchase.
- The agent then goes from a presentation mode to an initial closing mode. They show how many sections and homes have sold (like red dots on a wall-hung site plan) demonstrating the call for the buyer to take action. From there, with the hook well and truly snared, the agent sits the buyer down at a sales desk, sales office, or just on a couch to talk through specific floor plan options, section details, pricing and the formalities of signing the agreement.

Even if a buyer is not accompanied by an agent, they should experience the development within the display suite as if they are being told an enticing story. The ending of course is with them signing a contract!

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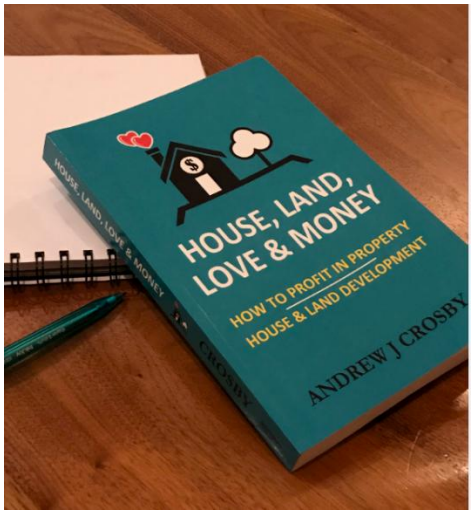

Selling #17: More Collateral September 9, 2025

Selling #17: More Collateral

Site and Floor Plans

Site plans and floor plans should be of a reasonable size (especially if they are small in the brochure) and should be printed on good quality stock for handing out and discussing with potential purchasers. Consider 3D house floor plans, although done poorly they can make rooms look crowded and the layout difficult to read.

Website

The easiest way to get a cost effective website up and running is to book the designer in and provide them with your draft brochure and tell them to 'web it'. Websites have actually decreased in complexity over the years, primarily to allow for viewing on phones and tablets. You may even consider just making a social media page as the website (Facebook.com if it still exists by the time you are reading this). When the brochure is 100% then you can get the web designer to drop in the final images or text. To avoid rework don't have the web designer undertake any graphic design themselves on the images to drop in (like plans and renderings). Make sure the website is fast on both computer and phone and easily navigable. The website's overall quality should match the level of quality and luxury in the development you are creating.

Colour Boards

Colour boards that show the key finishing materials and colour palette options for the houses you are selling can be put together by your architect, interior designer or just do it yourself. Don't provide too much choice as it gets difficult to manage the different options chosen between purchasers. Consider limiting it to two or three colour schemes with no mixing and matching or substitutes allowed. Anything else is to be priced as an upgrade. Examples for the base that the materials will be glued or taped to you include a large tile, wood board, foam board or plastic/polymer sheet. On each base board material include the ten or so core interior materials:

- Wall paint
- Ceiling paint
- Feature wall paint (if any)
- Carpet
- Kitchen and entry tiles
- Bathroom tiles
- Kitchen benchtop
- Kitchen splashback
- Kitchen joinery
- Bathroom vanity top

- Bathroom vanity joinery

You could also include a kitchen cabinetry handle to highlight the materials.

Upgrades

If you are offering upgrades then you will need product information or material samples available as well.

Marketing Collateral Plus

Beyond the minimum described above there is plenty more marketing collateral you can present (and pay for). Consider the following if you and your agent determine it will help sales and make your project more profitable:

- A slideshow of artist's impressions and floor plans.
- A computer animated rendered fly thru of the development.
- Drone flyover of the existing site, highlighting location amenity and views.
- A professionally made movie, starting with actual location and amenity scenes and zooming in and through a 3D fly thru of the development and then individual house types.
- Computer rendered interactive rooms where you can move throughout the home, linked to virtual reality headsets.
- Touch screens linked to website, or a custom application providing a menu for the buyer to select from to learn about the design and features of the development.
- A physical model of the development's greater location.
- A physical model of the development site, with lights to highlight individual sections.
- Physical models of house types, with a removable roof or cutaway section to display internal layout.

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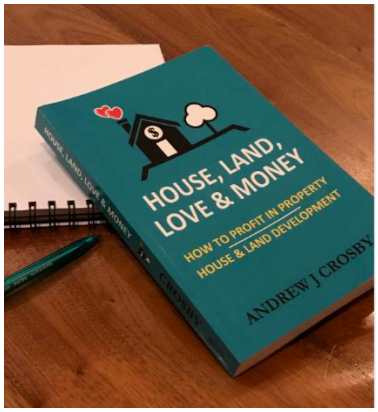

Selling #16: Artist's Impression September 6, 2025

Selling #16: Artist's Impression

It used to be an actual artist would paint or draw an image in perspective of the development based on the plans that the architect would provide. Nowadays every architect has software that will generate a three dimensional render. Except for large firms with dedicated staff, the quality of these renders typically does not compare to firms who specialise in producing photo realistic renders. The very best 'artists' create images that look like professionally staged photographs — especially interior shots. The artist's impression renderings are crucial to help sell your product so put your best foot forward. The old 'a picture tells a thousand words' is never truer. To get an artist's rendering right takes some management as there is a number of issues to consider:

Exterior

- Prepare wireframe or quick block renders first so you can choose the best view angle for the render. Don't leave it to the architect or artist to choose this and don't proceed with the render until you have agreed the best angle. For a subdivision you will probably want to show a render of a streetscape profiling a couple of different house types close up. You may also consider doing a perspective of the entire development from above. If you are selling sections, without any house design, you still will want to evoke the emotion of what the development could look like when houses are actually built. By focusing on amenities, like a park, you can leave the houses in the background so you don't have to worry about detail you haven't actually designed.
- Include your agent as the perspective proceeds. Have them to comment on sales emotions invoked by the render.
- Cars, are they modern, current and match the target market?
- Do the people shown represent the aspirations of your potential buyer profile? Are there enough or too many? What are they wearing? What ethnicity are they? Are there any double ups (where the artist has cut and pasted a clone in different parts of the picture). Consider if you need people in the perspective as it is difficult to make people look realistic.
- Lighting. Is this to be a day shot or a night shot? Consider what time of day to get the best effect from sun shading for your development.
- What materials and colours has the artist used? Are they compatible with what you have planning permission for and what the architect has specified? Artist's perspectives are typically done before the architect has completed their specification detail. However, the rendering is what buyers believe they are getting, so in essence the artist's impression can trump the architect's plans if there is a discrepancy. You may find yourself selecting construction materials as part of the artist's perspective process rather than during the architectural developed design process.

- Use glazing to add interest by adding reflections or depth with furniture and people behind the windows.

Interior

- Choose the wireframe views before it is fully rendered. If you are on a tight budget consider just a kitchen and dining render. Other interior renders can include bathroom, living, bedroom, a combination view or even an angle from standing on a deck if the outlook from your development is a key selling feature.
- Are you going to have a view superimposed on shots where there is a window (requiring drone photography onsite)?
- Does the furniture and interior decoration match your likely buyer profiles? Be careful not to clutter small spaces so the effect of spaciousness is lost.
- Once again be careful about materials and finishes — are you really providing full height glazing? A continuous splashback across the entire kitchen wall? Intricately detailed lattice work on the stairs? A custom made integrated joinery unit?
- People are difficult to include without detracting from the shot, especially as they will be close up. Frame the render like a real life interior design photography shoot and be very selective on using people, if at all.

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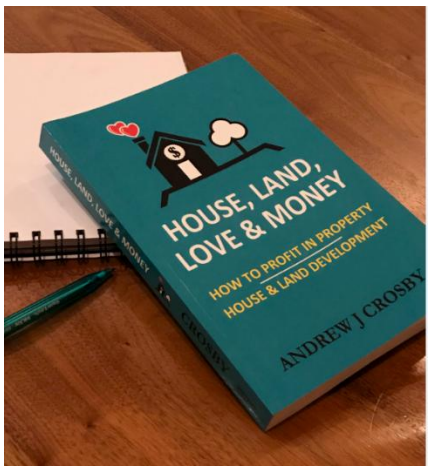

Selling #15: Brochure September 5, 2025

Selling #15: Brochure

The brochure is the guiding document for all marketing collateral as it requires the development name, a logo, pictures of what the development will look like and all the key messages and detail. Completing the brochure forces you to answer all the questions on branding, imagery, your sales pitch and your design with finalised floor and site plans. It can take some time to put together so ideally you start the brochure early and run it concurrent to finalising the floor plans and renders. When plans are finalised you can drop them into the brochure, replacing prior versions used as placeholders. Obtain a fixed price to design the brochure as the back and forth and hourly costs with even an affordable designer will mount quickly.

Brochures can take all forms and the greater the number of pages the longer it will take to produce and review. Once the brochure is printed you don't really want to have to make changes and reprint them. Make sure you include only what you need to in the brochure and what you print is actually your final sellable product. When running everything concurrently and taking the risk of marketing before receiving planning approval this can be challenging.

The brochure should tell the story of the development and a common format is to start with visual or textural impact and key messaging elements and end with the detail of floor plans and specifications. A house and land development brochure, assuming a booklet style presentation will include variants of the following elements:

- *Cover.* Development name and logo, exterior artist's impression or other seductive imagery and text.
- *Location*. Describe the location with a map graphic, images and text showing local amenities, transport and distances to key nodes like airports or the central business district.
- *People.* Lifestyle imagery and text targeted to the likely buyer profiles.
- *Site plan*. Show house types and sections numbered, amenities being created (such as parks and playgrounds) and a statement from the urban designer. A streetscape rendering may also work well.
- *House design.* Use interior and exterior artist's impression, images and text describing material selection and a design statement from the architect.
- *Colour options.* Include internal material palettes and statement from interior designer.
- *Floor plans.* If you have 30 different types you may only want to include the most common ones to limit the size of the brochure. Where the houses are exactly the same but the sections vary, then include an indicative section landscape plan.
- *Outline specifications*. Keep this to one or two pages of the key materials, fixtures and finishes of the house. This is where you can include a description and pictures of optional features or upgrades. Use the outline specification (in conjunction with associated images or photos from a display suite) to help sell the features of the house,

including quality and durability. If you are only selling the sections, limit this to what is being provided in general terms (for example, we provide a flat building platform and all engineering works to achieve local authority approval).

- *About the developer*. Showcase previous projects and experience in delivering as well as developer's vision. Focus the content that is most relevant to your target market for this project.
- *Team profile*. Highlight key consultants (urban designer, architect, interior architect, project manager) and contractors to show a high quality team that delivers. If this is your first project then you can leverage your consultants' talents rather than focusing on your own inexperience.
- *Disclaimer*. Don't forget the fine print stating the pictures are artist's impressions only, specification items subject to change, best endeavours on content. This is important as the brochure often finds itself appended to a signed sale and purchase contract.

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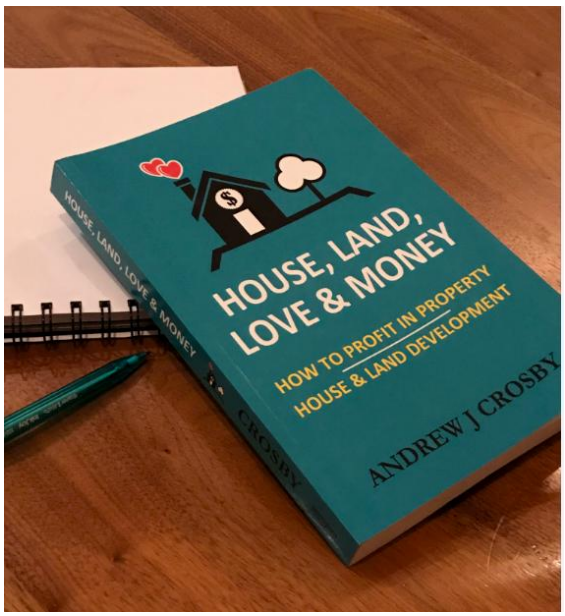

Selling #14: Marketing Collateral September 2, 2025

Selling #14: Marketing Collateral

The range of marketing material that is required can depend on the lengths you will need to go to sell your product given the current real estate market. In a hot market a basic flyer and a price list may be all that is required. However, to maximise sales prices and sales velocity it is important to arm your sales team with the best tools and that means creating good marketing collateral.

The preferred but expensive route to create marketing collateral is to engage a public relations and communications company to work through a branding exercise on your development. After defining your target market you choose a name, look at key messaging, a logo and the imagery for use in advertising and end up with the design and production of all the sales materials. You will want to include the real estate agent and, if they add value, the architect and even interior designer in this process. For a large and/or high end luxury development it may be worth the cost to create your marketing material this way, but it will be expensive and time consuming.

The cheap way is to simply use the real estate agent's existing templates. That is fine when you are subdividing a section of the back of an existing property, but will be too limiting to capture attention for a larger subdivision in a competitive market — plus it could look very average!

The middle ground, and the preferred cost versus value approach for most small to medium house and land developments, is to hire a design firm or graphic designer to help you put together custom marketing collateral. Between yourself and your agent figure out a name and the key messages (already identified as part of competitive positioning) you want to spread to potential buyers and get the designer to put it all together in the various formats required to advertise.

Applying the middle ground approach, here is my recommended list of what marketing collateral you will need at a minimum:

Printed Collateral

- Brochure
- Exterior artist's impression/render
- Interior artist's impression/render
- Location and amenity plan
- Subdivision site plan
- House floor plans
- Price list
- Outline specifications

- Sale and purchase agreements
- Rental assessment.

Miscellaneous Collateral

- Colour and sample boards (one to three options of different colour and material palates that you will let buyers choose from).
- Website — essentially the brochure online.
- Advertisements — essentially the brochure in advert forms focusing on key messaging.

Let's look at some of these in more detail.

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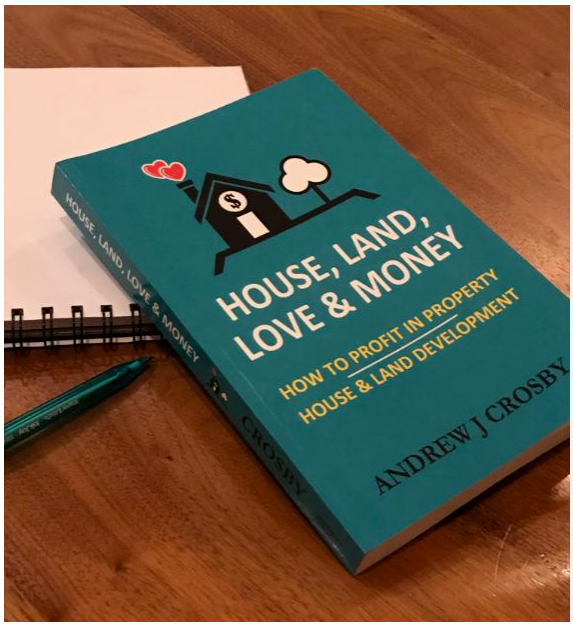

Selling #13: Set Pricing September 1, 2025

Selling #13: Set Pricing

Setting your price list is an important aspect of the development. The easiest competitive position to be in is to offer more value for a lower price. However, nothing comes for free and sometimes perception is stronger than reality. Too high you won't get any bites, too low and your product may be perceived as being cheap rather than valuable. Your pricing also needs to be high enough to generate sufficient profit to get funding and to cover construction costs, especially if rising.

The price also has be set relative to the market. For a new development (where you have recently purchased the site) you will likely need to be at the top of new comparable product pricing for your feasibility to show sufficient profit. Although you may be operating in a market where you are the only new development — due to location (new subdivision on the outskirts of town) or due to product type (three level small section homes in an established large lot suburb). Here you may be attempting to set new 'market high' prices. Be realistic but not necessarily constrained by existing pricing in your effective real estate neighbourhood.

In your initial feasibility you commonly set pricing as an average sale rate based on your market research. As you proceed through planning and design you typically revise this pricing based on what is currently happening in your effective real estate neighbourhood. When you are ready to pull the trigger on advertising your project you need to refine your pricing specific to every section or house and land package.

You could hire a valuer to provide pricing on every house and section. However, professionals are likely to be conservative, especially if they have been culpable for overpricing in the past. Conservative prices are not going to help you maximise profit.[1] Or you could get your chosen real estate agent to put pricing against each home. The catch with this is real estate agent 101: they price high to get the listing and then spend every day after you have signed the listing agreement trying to justify why you should lower the pricing to make sales. Whether that is the reality of a changed market, or the agent just trying to make it easier for them to do their job, this is not going to help you maximise your profit. The best approach is to supplement any professional valuer or real estate agent opinion with your own price decisions.

Determining your pricing will be mostly subjective, unless you are in a commodity type development market where your product is just a cookie cutter clone of very similar priced homes and everyone is selling product in reasonable time (so no need to discount). For other markets you will need to apply some logic to price each of your sections or homes. This is my six step process to determine individual pricing:

1. Consolidate your agent's and other professional's opinions and research on what comparable houses or sections have sold for and are listed for in your effective real estate neighbourhood. Estimate the likely current market price range for each of your product types. Look at how prices differ depending on design features and locational attributes between similar products with a stronger focus on new rather than older properties. If there are few comparables or a large variety of house types with little similarities then your estimate will be more difficult.

2. Establish a base price for each of your different product types, assuming it is the average or normal product in your subdivision. For example, if you are selling sections your base level product may be a 300m section on flat land, with no view, a nondescript location and fronting the main road. If you are selling house and land the base may be a 200m2, four bedroom, three bathroom, two level home on the section previously described.
3. Create a table listing the key attributes where you believe they have an impact on pricing next to each home or section. Each attribute will relate to the house (such as number of bedrooms) or section (like section size). To assist, have the site plans of the subdivision ready that show topography, and annotate any views, steep gradients and other potential attributes. During the design you will have worked towards maximising as many positive attributes and mitigating negative ones so you may already have thought in depth about items on your list, anticipating their impact on value. Attributes to consider include:
4. Number of bathrooms, bedrooms, living spaces
5. House size, key room sizes (like the master bedroom)
6. Garaging and car parks
7. Orientation of yard and living space for sunlight
8. Section size
9. Section gradient and shape (affects usable space of the section)
10. Section orientation to the sun
11. Views and outlook
12. Traffic noise and level of quiet enjoyment
13. Privacy and security
14. Proximity to amenity (next to a park or water).

- Apply a modifier to each attribute that will be used to calculate the price adjustment from the base for each individual section or home. This can be a percentage adjustment or a value amount, for example:

Home	Base Price ($)	Section Size (m2)	Views	Size Adj	View Adj	Adjusted Price ($)
Lot 1	800,000	300	Yes	0	5%	840,000
Lot 2	800,000	330	No	+5,000	0	805,000
Lot 3	800,000	250	Yes	-10,000	5%	790,000
Lot 4	850,000	500	No	+30,000	0	880,000

Lot 5	850,000	320	No	+2,500	0	852,500

- Sense check this pricing for realism compared to the market for the value differences you give to each attribute as well as to the total price. Are you still within market value ranges and does your logic fit what is actually priced by buyers in the market? Tweak where necessary and make further adjustments based on input from your real estate agent to get to your final price list (and agent buy in). The jury is out (at least in the court of my mind) whether buyer psychology dictates you should price something at $799,000 versus $800,000 versus $801,300 to gain a selling advantage. If you can find evidence in your effective real estate neighbourhood that it makes a difference by all means modify your prices. When you come to advertise your pricing it may help you sell (and explain price differential to buyers) by showing a summary of these adjustments. For example, you could group them all under a single heading called 'Section Premium', or you may explicitly list the major ones out like 'View Premium' or 'Extra Parking'.
- Audit your total pricing against your feasibility to make sure your development is still showing the profit that you require.

Price Increases and Releases

If the housing market is appreciating you may decide on a price increase and release strategy to maximise your profit. This needs to be done in light of any pre-sale requirements discussed previously. Strategies include:

- Increase pricing after an initial launch.
- Increase pricing throughout the sales period, say 5% across the board or in regular $5000 increments after each house is sold.
- Increase pricing at milestones, using achieving the milestone as a reason to increase. For example, when civil works are complete or the first roof is on.
- Release only a certain volume of product at any one time. For example, stage the supply of sections or homes you put into the market at a certain level of pricing to create scarcity (or the illusion thereof).
- Release a certain product type at this time because you anticipate getting more money later or you want to offload inferior product first.

Remember, if you use an external construction loan, you need to both price to be profitable enough *and* sell enough product (quickly) to get funding. Once funding is in place pricing decisions can then be based on your prediction of what will maximise your profit. Do you sell out now at current pricing? This reduces the risk of having unsold product when the construction has finished. Or do you attempt to raise prices scheduling the last sale to occur just prior to completion of construction? You could be too aggressive and miss the market. Having product unsold at the end of construction typically is a problem. You need to repay your lender and even if that has been achieved your profit is tied up in those last units and you need the cash for your next project!

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[1] That is why developers typically provide their well-researched evidence and substantiated price list direct to the valuer who is doing the valuation or appraisal for funders. You want to ensure the valuer doesn't undercook sale prices.

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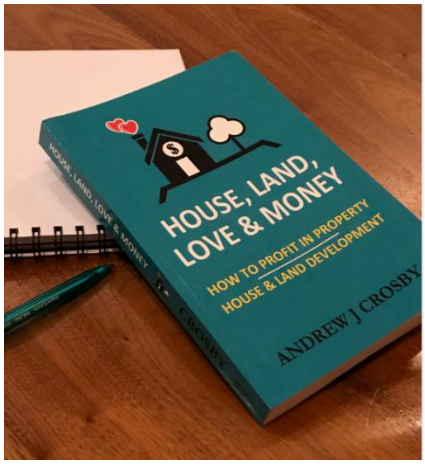

Selling #12: Method of Sale August 31, 2025

Selling #12: Method of Sale

There are various methods to sell a section or a house and land package. Which one will maximise your profit depends on the preferences of your target buyer profile and the current strength of the sales market. Different methods of sale include:

- Set price
- By negotiation
- Auction
- Tender
- Expressions of interest

Set Price

This is where you advertise a price for each section or house and land package. Buyers know what the asking price is and can make offers or negotiate on that basis, although some buyers may be put off contacting you in the first place if they feel the price is too high. If you set a price range, rather than a price point, then you may find legally you must have some product at the lower end figure quoted so not to contravene consumer protection laws. In a rising market this strategy can work quite well as you can progressively increase prices to compel those who have not bought to get in now before further price rises. In a softening market though, it is best not to reduce advertised prices (unless you are desperate for the sale) as buyers may start to think what is wrong with the product. Instead, consider swapping the method of sale. Advertising a set price is the most common way to list house and land developments.

By Negotiation

This is where you promote the property without a price. This is a strategy where you want to solicit offers from buyers without capping price expectations. Usually the first thing a buyer will ask is 'what is the price?' so you need to have a pricelist anyway. When you first launch the development this method is not the best to generate significant interest. However, by negotiation may be an appropriate strategy to sell down the remaining last few properties at the end of your project. For luxury properties, an invitation only, price by negotiation approach may be an effective strategy.

Auction

If you expect significant interest and want to generate additional publicity an auction may be the best option. With multiple properties to sell, you do not want any left unsold on auction day as that implies a failed auction. So either you expect a lot of interest to sell out the project or you only auction a limited release. On auction day you set a reserve, which is the price you will sell at, with the hope that all the interest generated and on the day competition between bidders pushes the price up higher. Auctions often work best for properties already complete, as the risk of the buyer knowing what they are going to receive has been eliminated. Usually a complete

property will have an increased pool of potential buyers. (More on auctions below where we compare them to tenders.)

Tender

Selling by tender involves marketing the property with a set sale date that all offers must be submitted by. Similar to an auction, a tender is intended to create an urgency and a call to action to buyers. In a tender the buyer reviews the tender documentation, undertakes their own due diligence and submits an offer to the buyer. Tenders are sometimes referred to as 'set date of sale' or a 'sealed bid'. Tenders are mostly used for commercial properties or unique properties where it is difficult to establish a value, although agents may provide potential tenderers with a price expectation range. Selling super-lots is often done by tender. There are other differences between tenders and auctions:

- In an auction it is the second bidder that effectively sets the sale price, and the winning bid is typically only marginally higher to win the auction. In a tender the winning tender price may be significantly higher than the second highest. This is because in an auction bidders know what their competition is willing to pay, whereas a tender is confidential between each buyer and seller.
- An auction creates an unconditional sale: that is, the property and the terms of sale are disclosed up front and the buyer is legally obliged to settle when they win the auction. In a tender the seller may stipulate conditions that all tenderers must abide by or allow tenders to insert their own conditions. Tenderers with a commercial background will often insert their own conditions anyway. These conditions typically cover: terms of settlement (such as deferring payment for a section for six months after access is granted to help the buyer's cash flow); further due diligence or financial approval (although you ideally want to ensure tenderers have all the documentation and financial backing before they submit a tender); or anything else the buyer may dream up — and this could be anything for a unique property or a unique buyer. Conditions make the assessment of the winning tender a little more difficult as price is not the only variable to consider.

Expression of Interest

When I worked for a government housing developer, we sold land and development opportunities by 'Expression of Interest' (EOI) and 'Request for Proposal' (RFP). An EOI or RFP is effectively a tender where there are a number of criteria to submit on, in addition to price. The EOI or RFP document will list the criteria and its relative weighting to be assessed on that buyers must include in their response. For large and complex sales there may be an EOI required first, a shortlist created and then a further RFP for shortlisted buyers to submit on. Financial criteria in EOI and RFP can include:

- Purchase price.
- Purchase price range (where substantial due diligence is still expected).
- Profit margin required (where land is paid for as a residual of set home prices).
- Settlement terms.
- Deposits, bonds and insurances.

- Financial minimum or maximum appetite (where there are multiple opportunities and the EOI is to solicit financial capability).
- Confirmation of funding.

Non-financial criteria, the main reason to undertake an EOI process in the first place, may include:

- Strength of the buyers company.
- Past performance and experience.
- Management staff and systems.
- Health and safety practices.
- Quality control and examples of past work (an onsite inspection may be requested).
- Strength of relationships with subcontractors and consultants demonstrating supply chain resourcing capabilities.
- Innovation demonstrated.

The criteria is either assessed as compliant or scored against a relative weighting. Responses that are not compliant may be rejected or compliance requested of the bidder. For criteria scored they are multiplied by their weighting and added up. For example, the EOI may set three criteria for compliance and four that are weighted as follows:

EOI Criteria	*Weighting*
Compliance	
Funding secured	Yes or No
Insurance obtained	Yes or No
Bonds in place	Yes or No
Scored	
Purchase price	50%
Settlement terms	20%
Management experience	10%
Quality Control	20%

The discussions we had in assessing EOI and RFP in the government sometimes bordered on insanity (from my point of view) as we as a group attempted to score non-financial criteria. It is extremely important to define how to score subjective criteria before you attempt to do so. If you are selling a small subdivision to the public or groups of sections to builders you would probably not consider this method of sale. However, if you are working with large corporates or especially government housing providers in a formal procurement process, this may be the requested option.[1]

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[1] If you want to know more on how to best present Government EOI and RFP for housing projects then you know who to ask.

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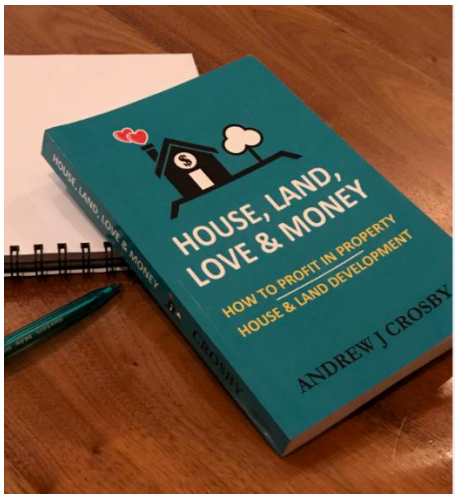

Selling #11: Sales Strategy — How Are We Going To Sell? August 30, 2025

Selling #11: Sales Strategy — How Are We Going To Sell?

You know what you are selling and when you have to sell, now it's the mechanics of *how* you are going to market and sell. The steps range from establishing your marketing strategy through to practical sales delivery, and includes:

1. Competitive positioning
2. Method of sale
3. Set pricing
4. Create marketing collateral
5. Sale and purchase agreement
6. Advertising
7. Launch
8. Sales management

Competitive Positioning

The objective is to maximise your developments appeal to the buyer profile representing your target market. You want to optimise your marketability in light of your competitive position. This will inform your marketing materials, advertising and sales approach moving forward.

To define your competitive position, compare your project to your competition. You should already know everything about your competitors based on your analysis when you got to know your market (previous chapter — read it again!). If your project is underway and it has been a while since you looked at what your competition is doing, now would be a good time for a market refresher. Ordinarily though, once you have purchased your site, your radar will be firmly fixed on what the competition is doing in your effective real estate neighbourhood. It is important to regularly mine your competitors' information so you know how to best position your project while you are selling.[1] Keep a record of all the *what*, *when* and *how* competitors are doing on their developments and identify the key metrics for your target market. Compare your project against your competition on these key metrics:

- Floor area and section land area
- Price per square metre of floor area ($/m2)
- Price per bedroom
- Price per square metre of land value ($/m2)
- Number of homes for sale
- Mix of homes for sale
- Rental rates and investment returns

- Absolute price point range
- Average price point
- Design quality
- Design standout features
- Quality of construction materials
- Quality of finishes specification
- Location (schooling, parks, shopping, water, desirability)
- Aspect, outlook and views
- Timing until they are delivered, their current stage of construction
- Targeting investors versus owner operators
- Target buyer profile characteristics
- Cookie cutter vs bespoke vs boutique.

Rank and score how your project compares in relation to competitor projects. Essentially you are creating a SWOT analysis of your project (Strengths, Weaknesses, Opportunities and Threats). Don't fall into the trap of an overly academic approach. There will be a mix of objective financial data and subjective assessment so you will likely need to take a few liberties and generalisations with your comparison. That is ok as this analysis is just to inform your marketing pitch and make you and your sales team self-aware of your project's relative positioning. Tabulate and organise the results to make for easy comparison, for example:

Metric	**You**	**Comp 1**	**Comp 2**	**Your Rank**
Price $/m2	5500	6000	5700	Cheaper
Price average $	500k	400k	520k	Higher end
Views	None	Good	None	Average
Quality	High	Low	Average	Higher
2 Living	Yes	No	No	Better
Style	Boutique	Cookie	Cookie	Exclusive
Target profile	Family	Family	Family	Same

Knowing your competitive position is important so you can espouse positives and have answers to deal with any negatives. Positives — your competitive advantage — should be embraced in the marketing for your project. Whether it's a script for the sales person or appears bright and bold on advertising, make sure your potential buyers know why you are a better choice than your competition. Where your project performs worse than your competitors then you can tailor your

marketing to address, reframe or deflect potential buyer concerns. In the above example your competitive positioning could be summarised in a key marketing message:

“With more value per square metre this boutique enclave of high quality

homes also provides two living areas — a must for today’s modern family.”

We have embraced the positives (lower price per m2 and quality), enhanced our positioning where we are exactly the same (creating the image that two living areas is a must for our target profile of families) and quietly reframed a potential negative lack of views into a ‘boutique enclave’.

Identifying your competitive position and setting your key marketing messages will influence how you approach and what you produce for the remaining steps.

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[1] At all stages of selling, not just when you commence. For example, you might need to change your positioning part way into your sales programme, in light of new competition.

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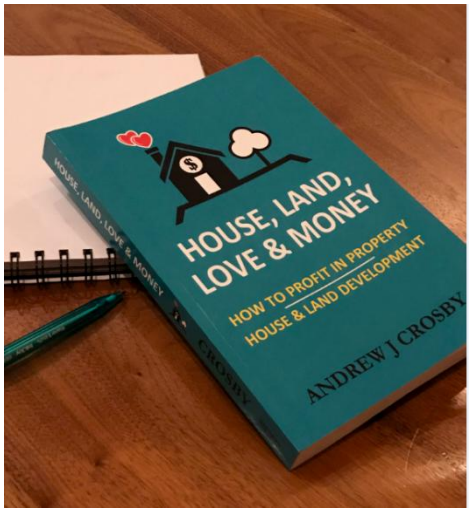

Selling #10: Selling Post-Construction August 27, 2025

Selling #10: Selling Post-Construction

In some markets for some types of properties, especially in the luxury bracket, you will only get the highest price for a new property that the buyer can touch and feel. Your best strategy may be to hold back as much product as possible until construction is complete and you have fully staged each home (staging means you hire furniture and fit-out the home to how it is intended to be lived in). Speculative homes are called as such because by selling only when complete you are betting on a rising sales market during the construction period to maximise profitability.

Waiting until construction is complete to sell is a luxury most house and land developers do not end up with or want in the first place. For the majority you want to be sold and done by the end of construction so you can take your profit and move your resources on to the next project. Beyond the speculators, reasons why developers still have unsold product at the completion of construction include:

- The construction loan and other costs are repaid and the developer is under no stress to sell the last few remaining units. On a 20 unit subdivision the first 16–18 units are likely required to cover all your costs, so this only leaves a few to sell anyway. If the market is rising why not wait for maximum price?
- You have the capital to hold the remaining properties yourself as rental investments.
- You have not achieved high enough sales prices to generate sufficient profit and therefore are under stress to wait for higher prices. You have arranged an extension of finance to enable you to do this. The race is on to sell before your finance costs further decrease your profit.
- Purchasers are defaulting on settlement, in which case you are forced to resell units — and probably at lower prices than you originally did.

Therefore ‘when are you going to sell?’ involves deciding and managing how much of your product you sell before you start construction, how much during construction and how much you want to leave, if any, until construction is complete. It’s a juggling act and achieving maximum profit is contingent on the market at each stage and the constraints imposed by your funders.

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Selling #9: Selling During Construction August 26, 2025

Selling #9: Selling During Construction

When you sell a section or home before construction you are trying to convince purchasers to buy into two visions. The first vision you have to sell is that the development will actually proceed. Some buyers may be previously fatigued by pretty pictures and promises of developments that never got built. The second vision is that the completed home and section will deliver on all the promises, expectations, features and benefits you are presenting on paper.

If your subdivision has started earthworks and civil infrastructure then you no longer have to convince a purchaser if the development will become a reality. This will increase your potential buyer pool as many will be spurred on by a project under construction. If your subdivision works are complete, buyers can physically see how each home section relates to its surroundings and the value of the amenity you have created (parks, paths, access). With house construction underway, a new group of buyers who want immediacy come into play and much less is left to the imagination. Eventually the homes are complete and there is no need to sell any vision as they can touch and feel the finished product. Of course if the delivered product does not meet the expectations set (by the vision presented when pre-selling) then you may find it now harder to sell.

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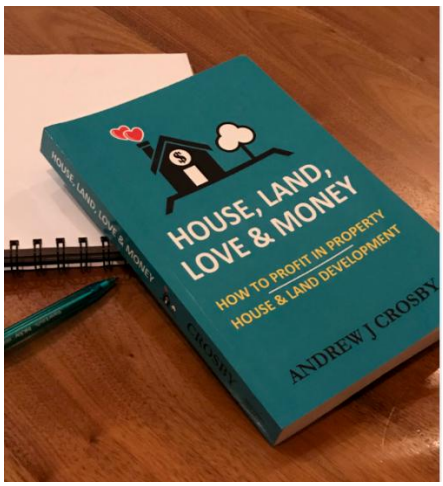

Selling #8: Sales Strategy — When Are You Selling? August 25, 2025

Selling #8: Sales Strategy — When Are You Selling?

Now you know what you are selling the question becomes 'when are you going to sell?' There are three different stages of development when you can sell your subdivision down:

1. Pre-construction (Pre-sales)
2. During construction
3. Post-construction (Spec Building)

Pre-Construction (Pre-sales)

Obtaining sales before you start construction helps to de-risk your project. It validates your estimated sales prices and provides collateral to secure funding from a lender for construction. However, the longer the time between pre-selling and when you start construction the greater the risk of costs blowing out and you have sale prices you cannot deliver on (as profitably). In a rising construction market, due to increased demand and a shrinking amount of available resource (previously decimated by the last recession cycle), construction costs can accelerate rapidly. It is common for developers to get excited and sell out product early in the development cycle. Unfortunately, when they find out construction costs have escalated, the project may no longer be profitable enough to secure financing. They either must go back to purchasers for more money, or if that fails or is not a contractual option, cancel the development.

Where sales prices are continuously rising, the developer may find in retrospect they have undersold their product and not made as much profit as they could have. In a red hot market you might sell 20 homes out in one week, then have to wait six months for consents and to arrange contractors and funding and then another two years to complete construction. If the market continues to rise, you could have made more money by staggering sales throughout the development period.

The flipside is you may not want to miss the market and have product left unsold once construction is complete. If prices stay flat or go down then you are in a better position by having your product pre-sold. However, if the market continues to deteriorate and the value of the home becomes less than what purchasers paid you will start to see settlement risk. This is when purchasers are no longer willing or in a position to obtain their own funding when the time comes to settle. If the value difference is greater than the deposit held then this puts the developer's profit at risk.

So there are positives and negatives to presales. Nevertheless, the 'pre-sell or not?' question is often one the developer has no control over anyway. An external lender may require pre-sales before advancing construction funds. Therefore, without pre-sales there is no project. For example, in the middle of a rising market the lender may require 50% of the sections or houses pre-sold. So the developer works as quickly as possible to secure those pre-sales so they can tie up financing and contract with a builder to commence construction. Only once pre-sale numbers are satisfied does the developer have the option to consider whether to pre-sell the remaining product or sell it down during construction or hold it until construction is complete.

Experience shows that after a prolonged rising market where lenders become increasingly nervous, or at the start of a rising market where the pain of the last downturn still hurts, then lenders may require an even higher pre-sale percentage. The requirement can be as high as 120% of the amount borrowed. That means the developer must achieve enough pre-sales to cover the entire loan amount — this could be 80% or more of your sections or homes.

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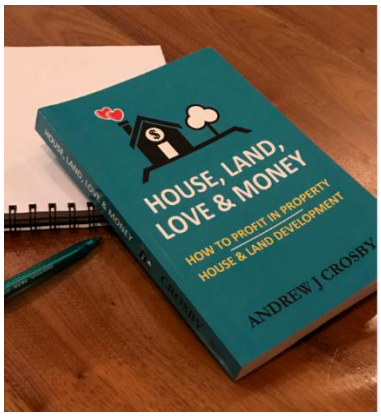

Selling #7: Selling Upgrades or Optional Extras August 22, 2025

Selling #7: Selling Upgrades or Optional Extras

You can create additional income by selling upgrades or optional extras with your sections or homes. It may be all your competitors are doing this and you must provide optional extras in order to compete, or no one else is doing it and this is your point of difference. You can offer just a few upgrades to add interest to your sales and marketing or a whole household menu of items. The extreme example is where every home is customised to the individual purchaser such as when you provide full interior design services.

What you offer as an upgrade means you are not providing it as part of your standard base product pricing, so this needs consideration in light of your competition and target market. Your buyers may consider some upgrades as necessary items and view an upgrade as cheapening the base product. For example, while offering a tile upgrade to vinyl flooring in the bathroom may be reasonable for affordable housing, it would be ridiculous to have vinyl as standard for luxury homes.

Upgrades and optional extras to your sections and various house features are only limited by your imagination and the vast amount of products available. Here are some ideas:

Sections

- Fencing packages.
- Taking grassed building footprints to foundation ready with hard-fill and retaining.
- Driveway crossings.
- Adding additional services like gas (assuming the main trunk gas line is installed).
- Irrigation.
- Section contouring and landscaping.
- Retaining wall upgrades (from timber pole to crib wall or stone).

House Structural, Services & Design

- Room conversions like adding a bathroom, extending a toilet to include a shower or turning a second living into a bedroom.
- Adding a kitchen island, extending benchtop.
- Skylights.
- Upgrading sliding doors to French doors or bi-folds.
- Adding electrical and data points.
- Electrical upgrade to gas water/cooking.
- Underfloor heating.

- Heat pumps/air-conditioning/fireplace.
- Air pressurisation ventilation systems.
- Burglar alarms and intercoms.
- Sound system wiring.

House Finishes & Fittings

- Hardwired appliance upgrades (dishwasher, oven, range-hood).
- Appliance packages (fridge, washing machine, dryer).
- European (or more luxurious) kitchen and bathroom fittings.
- Feature lighting.
- Feature kitchen tapware.
- Rainwater shower head.
- Tiling material upgrades.
- Tiling from floor only to floor and wall.
- Kitchen and bathroom benchtop upgrades (laminate to engineered stone to granite to marble).
- Carpet weight or quality upgrade (from 20oz to 32oz, from synthetic to wool).
- Wardrobe organisers.
- Garage storage systems.
- Garage marine grade carpet.

Home Furnishings

- Curtains and blinds.
- Custom furniture packages (beds, sofas, tables, chairs).
- Custom built-in cabinetry.

External House Works

- Decking and paving.
- Pergolas and sun shades.
- Clotheslines.
- Security lighting.
- Video surveillance.
- Utility sheds.
- Swimming pool or spa.

- Green waste systems.
- Letterboxes.
- Landscaping packages.

While it is all very well to offer a vast menu of extras to buyers, they do present delivery complications. Product selection needs to be confirmed before the house reaches the relevant stage of construction. Confirming upgrades during the pre-sale stage allows you to add them into construction contract negotiations. However, once construction has started you will need cut-off dates for when upgrades can still be accommodated that don't delay the construction programme. Items such as tiles can have long lead times so the cut-off date may have to be many months before installation.

Managing the delivery of numerous extras requires additional resource and systems from agent, developer and contractor. You may already be offering different colour options, and integrating additional upgrades can get complex. If your project has multiple house designs, an option may require different pricing based on each design. For example, upgrading the carpet requires each house type to be measured. Adding a room may be simple in one house type, but require structural changes in another. Some extras may require design changes by the architect or other consultants or even a revised building consent, increasing the cost and taxing management resource further. Without a dependable communication process (from buyer to agent to developer to project manager to designer to contractor to subcontractor to supplier to manufacturer), mistakes will be made. Resolving the mistake later (like adding a wall) can easily affect the critical path and cause rework with additional cost.

For those reasons you have to charge a high margin to the purchaser, on top of the contractor's margin, to justify providing upgrades and extras in the first place. When the real cost is promoted it may look very expensive to purchasers and deter them from upgrading.

Offering supplementary *upgrade* services beyond physically altering your product is a further option. Consider financial products by establishing relationships with funders and mortgage brokers. You could also provide post completion management services. If you convince suppliers that you are presenting them with a captive market and purchasers in bulk you should be able to secure some favourable deals. These can include:

- Lower interest rates (bank promotion for the development as opposed to the developer buying a lower rate for buyers, effectively hiding the cost in the purchase price).
- Low deposit bonding.
- Discounted property insurance.
- Advanced financial engineering products such as rent-to-own schemes and equity share.
- Property management and letting.
- Property and landscape maintenance.
- Long term home warranties or new build insurance (if not already provided by builder).
- Utility service agreements (i.e. you become the retailer to the home buyer by securing a distribution agreement with a wholesaler that allows you to take a margin).

Upgrades can equip you with negotiation ammunition in a softening market. You can throw in some extras when negotiating one on one with buyers or even convert some of your upgrades into your standard offering without decreasing your purchase price. Of course this will hit your bottom line profit but it will provide greater psychological value preservation (to potential buyers) than dropping prices or offering gimmicks like a ‘free holiday to a tropical island’.

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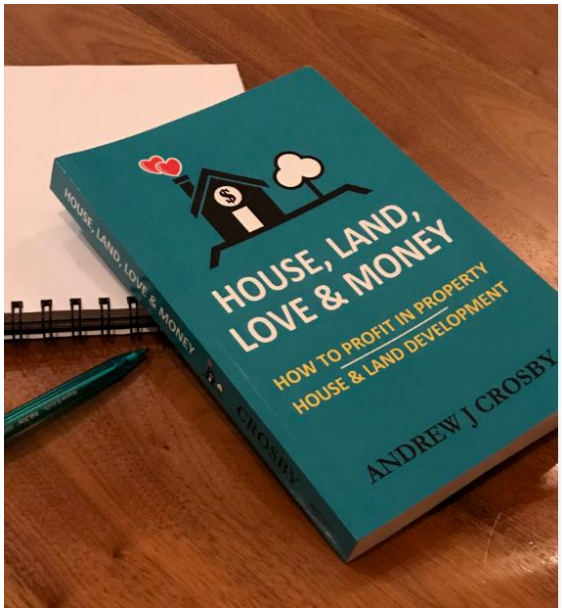

Selling #6: Sales Strategy — What Are You Selling? August 21, 2025

Selling #6: Sales Strategy — What Are You Selling?

This section looks past the obvious and describes potential strategies for *what* you are selling. The discussion looks at whether you are selling land (and in what form), or land and houses. We also look at what optional extras you can upsell with your house or section to set yourself apart and increase profit.

Selling Land, or Selling Land and Houses?

Selling individual homes on their own section is the standard house and land sales package. You are the developer from start to finish, creating the subdivision from a piece of undeveloped land and handing over the keys to finished homes to individual purchasers. However, you can sell down your project at any time throughout the development process. When markets change, your original strategy to sell complete house and land packages may have to evolve. What you are selling depends on your risk appetite, what is more profitable in the current market, your current cash flow and financial position and what resources you have to manage the project.

Options, in ascending order of how far your development has progressed, include:

- On-sell your site, as is. When land is appreciating quickly it can be tempting to just sell your site for a profit and move onto the next project.[1]
- Sell the subdivision as bare land with planning and infrastructure approved to another developer to undertake remaining design and construction works. You have added value by gaining the approvals but do not wish to take on construction or product sales risk.
- Sell large blocks of contiguous land that can be further subdivided — commonly called super-lots — to other developer/builders. You complete the civil construction and subdivision works to a certain level with main trunk services and infrastructure in place. Super-lots are created with their own title. The purchasing developer/builder further subdivides the super-lot into individual sections, extends infrastructure and sells down the houses.
- Sell the entire completed subdivision of fully serviced individual sections to a house builder. The builder will in turn build homes on the sections and sell to individual purchasers. The builder does not carry the risk of subdivision and civil works, but carries sales and construction risk on the homes.
- Sell completed groups of fully serviced sections to different developer/builders. The builders will in turn build homes on the sections and sell to individual purchasers. Effectively this is selling super-lots, the difference being all the section works are complete and individual titles are issued.
- Sell completed individual sections, typically with all services ready for connection and the section fenced, to individuals who wish to build their own home.
- Sell completed ‘turnkey’ house and land packages.

Just to make it a little more perplexing, where you are selling land only, you can further breakdown the extent of planning approval, design and home building consent you provide to purchasers:

- No planning approval, no section design, no house design (the as-is hold and fold option).
- Conceptual subdivision design with no planning approval.
- Planning approval for the overall subdivision broken into stages or super-lots with no individual section or house design.
- Planning approval and infrastructure consent for the overall subdivision broken into stages or super-lots with no individual section or house design.
- Planning approval (with or without infrastructure consent) to individual section design, with no house design.
- Planning approval (with or without infrastructure consent) to individual section design, with a conceptual suite of house design options.
- Planning approval (with or without infrastructure consent) to individual section design, with a planning approved suite of house design options.
- Planning approval and infrastructure consent to individual section design with designed and planning approved houses.
- Planning approval and infrastructure consent to individual section design with fully designed, planning approved and building consent approved houses. This option means the buyer can start to build houses immediately.

If you already have secured purchasers but part way through need to change strategy on what you are selling, then you can on-sell those sales contracts (if your sale and purchase agreement is drafted correctly — more on that later). For example, say you sell 20 out of 30 house and land packages before you start civil infrastructure construction. During civil construction you run into funding issues and decide to sell the entire site once the subdivision is complete but prior to building any houses. Those first 20 sales will then be an attractive part of your sales offering to buyers as the purchasing developer/builder will only need to sell the remaining 10 houses.[2]

Let's discuss selling land versus house and land in relation to profitability. It takes more resource and expertise to manage builders throughout the house construction phase. There are higher costs to fund, it takes longer and more can go wrong. So selling earlier in the process can be appealing but you are leaving profit on the table. Selling before civil works commences removes you from all construction risk, but of course whoever buys it will be paying you a price cognisant of the remaining risk they still must take on themselves. For some developers, contracting land, gaining consent and flipping the project *is* their business model. For others, the need to sell prior to building houses arises because of a change in circumstances, better opportunities elsewhere, inability to gain funding or lack of faith in making a larger profit by continuing with the project through to house completion. The bona fide house and land developer, buys raw land, builds all the civil infrastructure and houses and then hands over the keys to buyers, taking a healthy profit margin on everything along the way.

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[1] This is called flipping, not developing and the book for flipping raw land simply by holding for a period of time and then selling, would be very small!

[2] Consider the scenario though where the first 20 sales are under-priced in the current market — in that case they may have no value.

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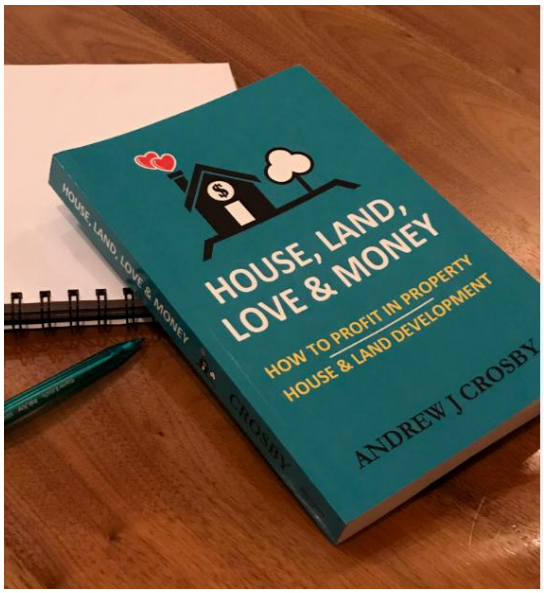

Selling #5: The Real Estate Agent Listing Agreement August 19, 2025

Selling #5: The Real Estate Agent Listing Agreement

The listing agreement is the legal contract between real estate agent and developer. In many jurisdictions it is required by law before your project can be advertised by the real estate agent. There are three key points to negotiate on the listing agreement, commission, exclusivity and listing term.

Commission

Commission is the percentage of the sale value or the dollar amount you agree to pay the agent on a successful sale. The agent may offer to have a flat percentage fee, say 3%, or a graduated fee depending on the sale price, like 4% of the first $300,000 and 2.5% thereafter. If your market has co-broking arrangements then the fee may be higher (6%), split between agent and co-broking agents. A co-broking arrangement is where the agent markets to other agents to bring their 'buyer' clients to your project in return for a share of the commission. Commissions can be negotiated although the agent may have to confirm it with their agency's corporate management and they may have internal restrictions on how far they are allowed to discount. Bear in mind though the idea is to sell your product at the best price in the best time and give the agent every incentive to do so. Until you are doing multiple projects and can leverage a volume relationship with agents it is recommended not to skimp on commission. You want the agent to focus on your product and not get diverted because they have other clients with better commission rates.

To help with your cash flow it is ideal to delay payment of all commission until settlement. However, to incentivise the agent, or even to get them involved in a market where they have other options, you may want to offer a portion of commission to be paid earlier. This can also be negotiated. A common arrangement is half is payable once the sales contract becomes unconditional and the other half on settlement. It is important the agent still has skin in the game right through until the purchase settles, as you will need the agents help if issues arise that affect settlement. Commission should not be held or automatically deducted from purchaser's deposits or settlement proceeds by the agent's firm. You should have your lawyer, escrow agent or independent entity administer deposits and settlements so there is no chance of a real estate agency controlling the money flow.[1]

Exclusivity

Every agent prefers a sole listing, where they are the only agent permitted to sell the project with the option to invite other agents on their own terms. The alternatives include: a general listing where you reserve the right to appoint other agents to sell and market; a master agency where you appoint an agent overall in charge but they ask other agencies to sell, sharing the commission; or any other combination where you define the sales channels you are allowed to use, without splitting commission. For development project marketing you should start off providing an exclusive listing to one agency. That gives them confidence to devote their time and resource. Although it is exclusive, the developer should always negotiate to retain the option to sell at least some properties themselves to 'friends and family' without agent involvement or commission payable. This should be carefully worded so the agent does not believe they are entitled to commission if the developer does sell some sections or homes.

Listing Term

The agent will request a term as long as possible to be listed on your project. They want the time to do their job, which is fair enough. However, don't tie yourself into a long-term agreement that backfires if the agency doesn't perform. Negotiate a sales performance clause into the listing term to help elicit the performance the agent promised when you selected them. The clause might read something like:

'The exclusive listing period is 6 months from the date of this agreement provided a minimum of 2 sales per week from the attached price list is achieved. If the minimum number of sales is not achieved the vendor can terminate this agreement.'

Ironically you want your agent to be an expert negotiator so the confidence, humility and persuasion they display in their dealings with you to negotiate their listing agreement will often foreshadow their ability to close buyers on your product.

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[1] Your jurisdiction may have regulatory controls over exactly how this works.

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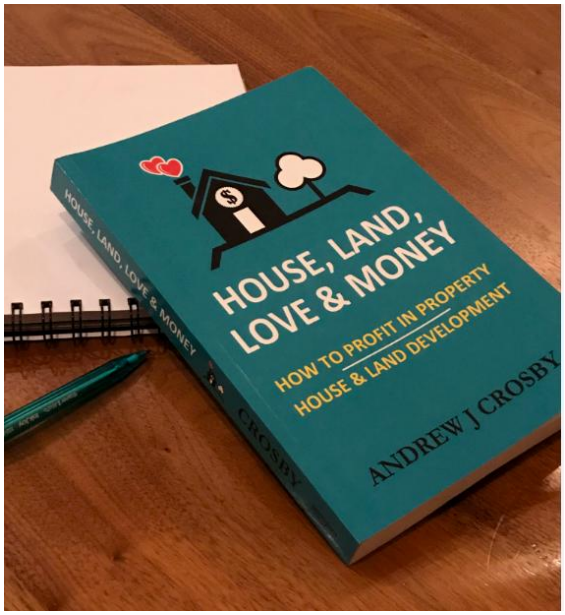

Selling #4: Agent Sales and Marketing Proposals August 18, 2025

Selling #4: Agent Sales and Marketing Proposals

If you don't provide a brief — and unfortunately even if you do — you may be disappointed in what many agents provide in the way of a marketing proposal. What you want to receive is a strategic sales and marketing plan specific to selling your development so you can compare and choose the agent who has the best ideas and most likely success in selling your development down. Large agencies with project marketing divisions are well versed in putting slick and targeted marketing proposals together. From others you may receive nothing more than a basic résumé, a listing agreement and an advertising budget. Some agents, especially in a busy market, either through arrogance (sometimes warranted) or incompetence, may not give you anything but words from their mouths.

Whomever you encounter encourage the agent to submit a proposal that describes:

- Their team's experience relevant to your project including previous and current project campaigns and sales results for off the plan projects.
- Back office support resource.
- References from other developers.
- Recommendations of the appropriate mix of product and target market (remember you are talking to agents long before you have finished design).
- Indicative pricing ranges.
- Indicative sales velocity.
- How they intend to market the subdivision and what collateral is required.
- Their sales strategy and preferred method of sale.
- Strength of their internal 'databases' and investor/buyer networks.
- Publicity channels they understand how to mine (editorials, advertorials, interviews, social media, product placement).
- Advertising channels they will utilise, reinforced by results-based reasoning and evidence.
- Their listing agreement key points such as commission and listing period.

Ask the agent to present their proposal in person together with the team they are promoting to work on the project. Naturally some agents will be better at selling their proposal to you than it comes across on paper. You also want to make sure that you are not being 'sold' a lead agent who will delegate all the day to day sales to below par team members, so ask for them to be present so you can see if they stack up to expectations. Even if you find no one suitable in these first interviews the more interactions you have with various agents the more information you will capture that will help you understand your market and the better prepared for selling you will be.

When you have interviewed enough to make a decision on your preferred agent you will contractually engage them via their listing agreement.

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Selling #3: Selecting an Agent August 17, 2025

Selling #3: Selecting an Agent

When it comes to selecting an agent, you are really selecting a lead Real Estate agent and the brokerage they work for. Depending on the number of sales required and how the agent operates they may also have partners or even a team of agents that will work on your project. Usually the agent is more important than the branded agency except where your development is boutique or in the luxury bracket. In that case the caché and reputation of the agency may also be very important.

Ideally the agent you select should have extensive experience with your product type, be a notable and respected figure in your effective real estate neighbourhood, have personal and agency branding that compliments your target market, have completed a tonne of sales in recent months, and not already involved with every one of your competitors so they can focus on your project![1]

Ask for referrals from your contacts and look through the local online and published real estate listings and find those agents that stand out. Typically they are the ones selling similar developments or have the most listings comparable in price, product and location to your project. The top contenders in any market will become obvious very quickly. Remember your market is your effective real estate neighbourhood, so geographically the most appropriate agents may not have current listings near your site's location. Make contact and interview at least five agents, both to see if they are an appropriate fit that you can work with hand in hand (during design and pricing) and to ascertain if they have what it takes to sell your product (although this takes time to figure out). Ask the agents to follow you up with further information. How they follow up will give an indication of how good they will be at communicating if you do decide to engage them. Make a shortlist of the best two or three and have them submit proposals to market your development.

Whilst you are selecting an agent, the agent is also selecting you as a potential developer client, so you are both selling to each other. Agents don't typically get paid all their commission until your project is real and construction is complete. This can be years after they first start selling and no agent wants to embark on a long voyage with a developer whose project (and therefore commission) never eventuates. You should also be selecting your agent very early into the development process so you can leverage their input into the design and pricing for your feasibility. Achieving commitment from the best agents — who are well experienced with developers — when your project is just a concept, may initially be challenging. It is up to you as developer to cultivate the long-term relationships necessary. You may find the best chance on your first project is to engage an agent who is enthusiastic and talented with some experience (but not so much that they are already too busy with other developers) and still has access to the experience and mentorship of some old hands in their agency.

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[1] Of course they are not mutually exclusive, the good agents will already be involved with the active developers.

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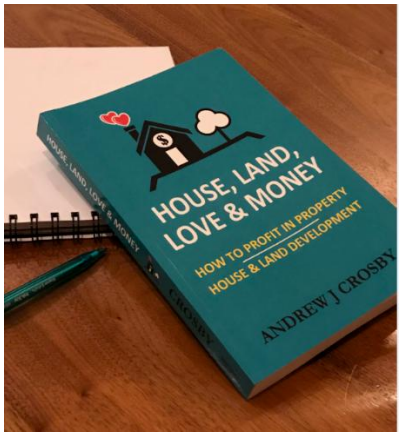

Selling #2: The Agent August 16, 2025

Selling #2: The Agent

In boom times almost anyone will do, properties will pretty much sell themselves. During a bust no agent will be any good. It is every other time where the value of your agent comes into play, especially at the fringes of a changing market. They can be instrumental in launching your development in the early stages of a rising market or completing those final sales that deliver you a profit during the flattening inevitable before a downturn.

Developers in small scale house and land developments typically engage the services of a professional real estate agency. Some smaller agencies will have agents that primarily deal with new subdivisions. Larger agencies often have dedicated project marketing teams focusing exclusively on new subdivision projects.

Experienced developers with a pipeline of projects often bring real estate sales people in-house. The reasons for in-housing agency is to reduce total commission payable and have more control over the selling process. The individual agent may end up getting the same per property commission, but there will be no agent head office brokerage fee payable which ranges from 30–50% of total commission. Control is about brand exposure, brand protection and marketing consistency — elements more important for large developers and large projects.

I advocate to maximise profitability, focus on generating the highest income rather than shortcutting sales costs. At least for your first few projects you should use a professional real estate agency and harness their experience, exposure and branding to sell down your development. If are a real estate agent come developer then don't underestimate everything else you have to do besides selling, and go hire someone else to do the selling.

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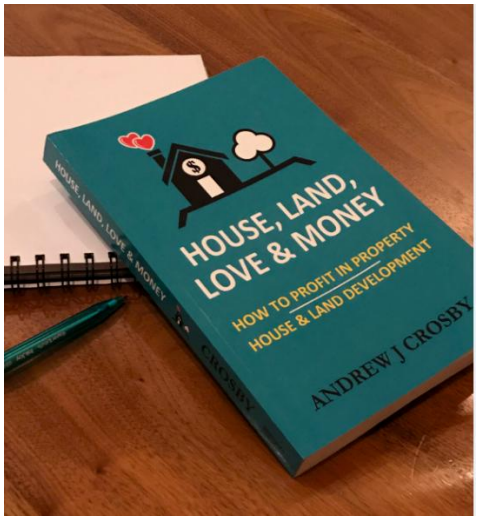

Selling #1 August 14, 2025

Selling #1

"To my real estate agent, Chernobyl is a fixer-upper."

Yakov Smirnoff

Income represents just a few lines on our financial feasibility but unless you can sell your product and generate the income you won't have a project nor any profit. Selling a new house and land development is quite different from selling existing real estate. Most likely you will want (need) to sell sections or house and land packages in advance of completing construction to secure funding. With these *pre-sales* you are expecting people to buy before they can touch. That can both help or hinder sales. On one hand people are not sure on the details and may be hesitant whilst on the other you may sell them into a vision they simply can't wait to buy into. The alternative is when you speculatively develop houses or sections with the intention of selling them once you have completed construction. This can put your product in an attractive position to sell (as you will be brand new compared to existing homes), but exposes you to significantly more timing and funding risk.

You have to determine who will be doing the selling. This will most likely be a real estate agent. With the help of your agent you need to arm yourself with a sales strategy to penetrate the market. Plan to be successful rather than just list and hope. Your real estate agent may have success in a certain type of sales strategy or have experience in tailoring custom strategies for different market circumstances. The sales strategy will be influenced by the target market you identified, the product you designed and how you are to maximise project profitability. For your project there may be many strategic options to choose from, each with positives and negatives. Alternatively, your product may lend itself to a sole particular selling strategy. The sales strategy is your plan to sell down your development to purchasers by addressing three fundamental questions:

1. What are you going to sell?
2. When are you going to sell?
3. How are you going to sell?

Once you have sold your product, you have now inherited a group of purchasers. They need to be managed (loved) throughout the development period, on settlement and post settlement.

In the next part of this series, let's look at selling your house and development in more detail……

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Restart #9: Replan August 7, 2025

Restart #9: Replan

When repositioning is not enough, and the project you have inherited simply has no profitable (or sufficiently loss minimized) way forward then you may have to replan it. That means a completely new start. Replanning for a completely different use, throwing out the current consents and demolishing what has been built might be the most profitable strategy. Blue sky thinking.

There could be dozens of options and hundreds of permutations if you decide to replan the project. Two critical features will dictate the range of options available to you: 1) planning constraints, and 2) the current real estate market.

If you plan to rezone the property to make allowance for an alternative use, then all the luck of the Irish to you — I'm not about to embark on the limitless opportunities your project site may have. However, if you are going to plan within the current planning rules (perhaps with a few infringements) consider the following first three steps that often have the most impact on profitability:

- Can you increase density, or floor area and put more of the same or similar product on the site? This will reduce your land cost per unit. It can be especially effective if you are not significantly increasing per unit construction costs at the same time.
- On less expensive land where construction costs are increasing, can you do less density and lower height to take advantage of comparably cheaper rates? There is typically a reasonable difference in dollars per square foot construction costs for five-story condos (high) versus two-level terrace homes (lower).
- Does your planning and zoning allow what is in hot demand in the current real estate market? For example, residential may no longer be profitable but the office market is. You can then concentrate on this use.

That concludes our series on Restarting Failed Property Development Projects.

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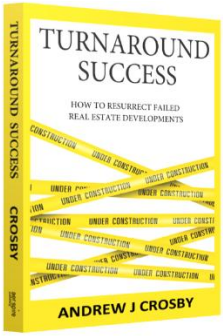

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Restart #8: Reposition August 5, 2025

Restart #8: Reposition

The property development project has flaws preventing it from working in the current market, but they are not terminal if it can be suitably repositioned. Repositioning often includes some redesign and a new approach to sales and marketing. There is no 11 herbs and spices recipe to reposition a development project in trouble. The idea is to find a more profitable feasibility and action its delivery without throwing everything out and starting again. Probably the best way to explain repositioning is to give some examples that I am familiar with across the real estate spectrum:

Residential

- Down spec'ing (reducing specification of mainly fittings and fixtures to a less expensive alternative) to reduce cost to appeal to a lower price point.
- Up-specifying to increase desirability for those at a higher price point.
- Decreasing home or apartment size to appeal to a lower price point and/or a higher investment yield (a smaller unit could cost much less to build than the corresponding drop in rental).
- Increasing home or apartment size to appeal to a higher price point.
- Joining homes together by duplexing or terracing to reduce cost or add homes.[1]
- Combining or splitting apartment units to create dual key opportunities (live in one, rent the other).
- Selling groups of sections or super-lots rather than individual sections, appealing to larger developers and builders.
- Joining sections to make suitable for larger homes.
- Subdividing sections into smaller ones, to make more affordable.
- Selling sections rather that house and land packages to appeal to owner builders and small-time spec builders.
- Reconfiguring homes or units to have more bedrooms in the same space, increasing rental income.
- Converting garage space into liveable area or vice versa.
- Adding commercial opportunities to residential developments. Include a home office. Make the ground floor of a multi-level home suitable to lease for retail or office. Create a gym space that can be leased. Include a valet and carwash service in the parking garage.
- Converting part of the residential to a hotel or serviced apartments, for example the top floors of an apartment building, with a separate lobby on the ground floor. Conversely, converting a hotel or serviced apartments to residential units for sale or long-term rental.

- Converting residential to student accommodation, student accommodation to a hotel, and vice versa.

Industrial

- Cutting larger industrial premises into smaller sellable or leasable areas.
- Turning industrial premises into managed self-storage facilities.
- Joining smaller areas to create larger premises.
- Increasing or reducing the office space provided with the industrial.
- Adding a residential use to the industrial premises, such as an apartment over light industrial units.[2]
- Partially converting to retail use; for example, on a main road frontage.
- Lifting the roof to increase stud height — effectively repositioning to a larger tenant market.

Office

- Decreasing or increasing contiguous areas to attract a larger or smaller (or more varied mix) of office tenants.
- Convert to serviced office space, rent by desk and business incubator type office space.
- Install exclusive stairs to join levels of a prime office internally — to reposition to larger multi-level tenants.
- Adding a retail presence to the ground floor of an office building either because it attracts a higher rent, or it helps to provide additional amenity to office tenants.
- Adding naming rights and signage opportunities to increase revenue.
- Adding a residential use to the office premises, such as an apartment over office units or making the upper levels of the office into apartments.
- Increasing common area spend (lobbies, elevators, toilets lighting, artwork, furniture, size space, luxuriousness of materials) and amenities (onsite gym, showers, roof deck) to attract higher class (higher paying) office tenants.
- Decreasing common area spend and amenities to decrease operating expenses to attract more cost sensitive tenants.
- Spending more capital upfront on low maintenance plant and equipment to lower ongoing tenant expenses.
- Embracing latest 'hot issue' for specialist or socially conscious tenants; sustainability, high technology or alternative transport.

Retail

- Decrease per unit size to allow for smaller tenancies at higher rents.
- Include different sized spaces to attract a varied tenant mix.

- Adding a residential use to the retail premises, such as apartments above, or live-work combination terrace home.
- Converting space to an office use to absorb areas where retail does not lease well (like the second level of most suburban retail centers). Offices, for example, can add retail patronage.
- Providing internal access to link harder to lease upper or basement space to ground floor retail.
- Adding naming rights and signage opportunities to increase revenue.
- Turning every surface and opportunity into an advertising revenue stream.
- Increasing common area spend and amenities to attract higher class retail tenants.
- Decreasing common area spend and amenities to decrease operating expenses to attract more cost sensitive tenants.

It's all about repositioning the project in line with current demand and supply.

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[1] This overlaps with the re-planning option we discuss in the next chapter.

[2] This will more than likely be constrained by planning rules when placing a residential use into an industrial zone.

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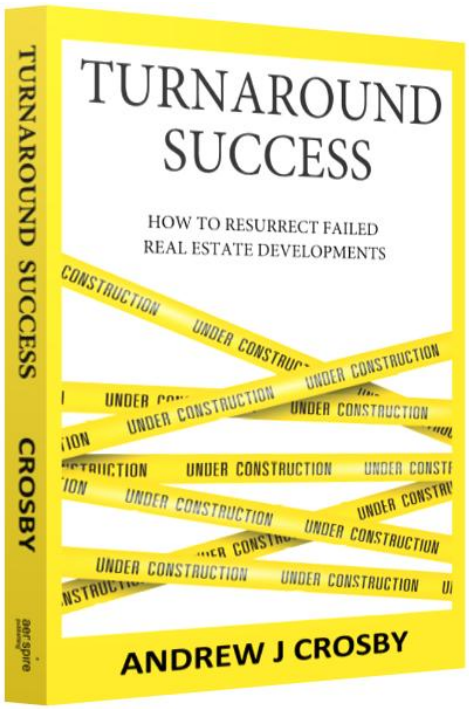

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Restart #7: Restructure Existing August 4, 2025

Restart #7: Restructure Existing

The existing property development project doesn't work in its current structure, but there is an opportunity to make it work if ownership is restructured. The intention is to keep the design, consents and construction works predominantly as-is, complete only what is absolutely necessary and restructure future ownership. Here are some examples of restructuring projects:[1]

- *Convert sales into leasing.* Assume a 100-unit condominium project has contracted sale prices that do not cover the cost to complete construction. The lender now controls the project and you have been brought in to assess how to resurrect it through restructure. Selling a half-completed project will mean a substantial loss to the lender so they are prepared to work it through. The condominium market has deteriorated below original list prices so there is no opportunity to ask buyers for more money. All contracts will need to be terminated. However, there is no point trying a new marketing campaign to sell condos as market prices do not support the remaining construction costs. The best course of action you determine (at least the lesser hit to the lender's wallet) is to complete the project and lease the units in the rental market. You would continue to rent until the 'for sale' market appreciates, and you can sell down units or until a suitable long-term investor is found to purchase the completed development. Taking it further down the 'for rent' spectrum would be a conversion into short stay serviced apartments.
- *Convert leasing into sales.* Typically, this type of restructure occurs mid-cycle in an appreciating residential real estate market.[2] As the market improves, yields generated by for rent units generally get surpassed by the effective yields home buyers are prepared to pay. The arbitrage gap allows a developer to purchase a block of residential units at say 10% yield, undertake cosmetic renovations, create separate ownership titles and sell to individual buyers at an effective 5% yield.

To illustrate, assume a 10-unit apartment project, when complete, is worth $5,000,000 with a gross rental of $500,000 (10% yield). Unfortunately, the 'for-rent' developer has defaulted on the loan and you are looking to purchase the half-finished opportunity from the bank. You determine that if you restructure future ownership to individual home buyers, they will pay $750,000 per unit. The total income you receive is $7,500,000. The rental remains at $500,000 but dividing it by the for-sale price represents an effective yield of 6.67%. There are costs — $500,000 in legal, utility separation, marketing and some redesign. But you have created two million dollars by magic!

Another example is converting a for-lease building to for-sale office, retail or industrial condominiums. Rather than continuing to try and lease a large space you sell off individual units (like floors or adjacent spaces). This restructure is viable when the market to smaller investors and owner operators is superior to the general leasing market or selling to larger investors.

- *Sales or leasing into hold.* Selling the project is only feasible with a heavy discount. Leasing it on completion carries too higher operating cost and low rentals and detracts

from a more profitable use in the future. In this case you complete construction to a certain point and restructure to hold until a better time to sell or lease eventuates. An example is where you have created a residential subdivision but take the sections off the market and move it from an expensive debt leveraged position to a long-term hold and equity position. Or it may be farmland originally to be developed, where the market has changed, and you decide to continue to hold as farmland. Or it might be leaving the expensive internal fitout of the penthouse in an apartment building unfinished until the market improves.

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[1] You see restructures all the time post the peak of a market cycle.

[2] Americans know all about the condo-conversion craze!

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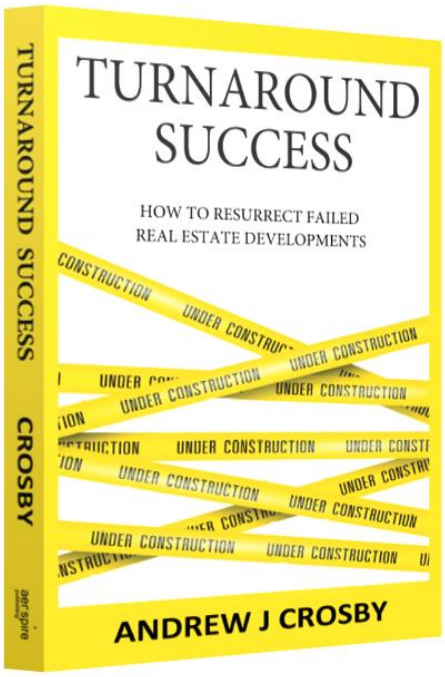

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Restart #6: Consolidate and Segment July 31, 2025

Restart #6: Consolidate and Segment

This is where you continue part of the property development project as-is to a satisfactory stage and segment the remaining parts. Each segment will have its own restart. For example, you could finish the first stage of a residential development and sell of the remaining parcels to another developer. Or in a mixed-use development you could concentrate on the retail side of development (if that is your expertise) and sell or joint venture with others to complete apartments and offices.

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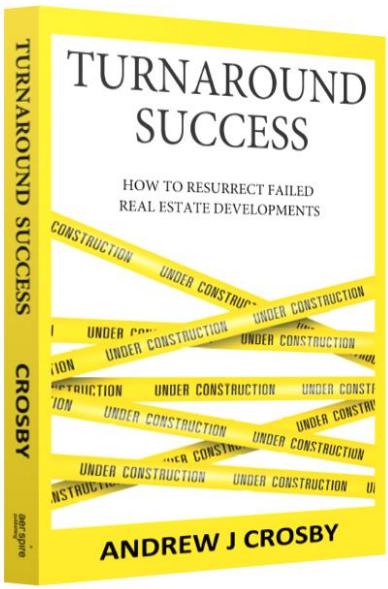

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Restart #5: Clean Slate and Continue July 30, 2025

Restart #5: Clean Slate and Continue

This is where in the property development project you inherited you wipe the slate clean of current contracts and relationships to restart free from historical baggage and constraints. The premise being there is no value continuing with existing contracts.

This is progressively more difficult to do (or at least carries more risks), the further developed the project already is. Let's look at cleaning the slate at various stages:

- *Conceptual design*. At this stage there isn't much to lose if you want to ditch the existing architect and consultants and start fresh. If this project has been one with a poor payment performance record, the existing team may be low on motivation. Their emotions may not change with new owners (you). You will lose some intellectual property and knowledge by abandoning them. But it shouldn't be too much of a problem for new consultants to get up to speed. Just check whomever you replace is not the only expert in their field for your type of project or has political connections where you may find yourself embarrassingly having to go back to them in the future. At this stage you won't have buyers or contractors involved, so no problems there.
- *Developed design and planning consent*. Before cleaning slate, get copies of all delivered reports, plans and specifications from consultants and where possible the raw electronic file formats used (CAD/BIM for example) so your new team does not have to recreate all the work previously done. Town planning involves relationships with authorities so think carefully before changing. Ensure you have all correspondence from local planning authorities, especially where the town planning consultant had authorisation on the previous developer's behalf.
- *Building consent*. Not only do you want all files, preferably in their raw format, but also copies of all design statements, producer statements and certifications. Check that the consent documentation submitted does not implicitly require that same consultant to undertake inspections or sign-offs later in the project. If it does, ensure your new consultants can do those signoffs or make provisions for the existing consultant on a limited scope. This is very important if building consent has been granted and extremely important if the element has already been built. I have been in the situation where an engineer in a legal dispute did everything possible (contrary to professional ethics) to frustrate us by refusing to hand over a certificate for an item of infrastructure already built and inspected (with no problems). No other consultant wanted to sign off this item. It ended up a very costly exercise to 'extract' the certification. Intellectual property and liability collide at this point though. Ensure any new consultant will take on the responsibility of previous drawn plans.
- *Under construction*. Ensure there are no certification or liability issues with the consultants you are terminating, before you terminate. For contractors, the issues are further compounded, especially with responsibility over warranties and guarantees. If you are considering terminating a contractor then you need to plan to get all warranties, guarantees, certifications and as-built documentation for work in place. Many of these will come from subcontractors and suppliers and you may have to negotiate with each

separately. If the subcontractor has experienced payment problems, then it may be difficult to get these certificates. Although you are terminating a main contractor, there could be key subcontractors who you need to retain just because it is easier to keep them on to avoid problems gaining final approvals from the local authority. If subcontractor continuity[1] agreements exist it will be much easier to deal direct. For work that is partially complete, or where your audit finds it may have not been done correctly, be especially careful. Subcontractors may have an incentive not to help if they have played a part in the project's failure in the first place. They may have cut corners as a project deteriorated (lack of payment or lack of competent inspections) and will no longer want to take any responsibility. Others may just be holding out for a payment. If the existing subcontractors do not want to assist you, or you are forced to terminate them because of their incompetence, then you will need to specifically address how you are going to complete the works and get the appropriate certifications. You may need to discuss the circumstances with the local authority, so they will accept a new contractor's certification. This could include retrospective inspections, or unfortunately, rework. Sort all this out before you restart construction in earnest. Review every official certification or signoff you need in relation to what has been built and tick off exactly what you need and have a plan to deal with what may create difficulties. If you don't do this at the start, and only find out from the local authority that you need a certificate for this item many months later, the amount of rework could increase significantly. As an example, think of the situation where you don't have certification for waterproofing at the base of building but now you have built an entire building on top of it. Catch-all guarantees, such as weather-tightness or multi-year warranties provided by the main contractor, will be difficult to retain if you are terminating them. Ensure you can get your new contractor to provide this or at least provide a limited one that excludes work already done. Obtaining an insurance policy to cover the same risk may be an option. Don't forget to cross reference what has been promised to purchasers and lessees in their contracts as well.

- *Sales or Leasing*. Assuming you have the control and right to cancel,the formula is straightforward. If the value of contracts in place is greater than the current market value, then retain them. If they are less, then you renegotiate or terminate. Although it may be more difficult than that. Some buyers or lessees could have been given so many broken promises that their existing relationship with the project is fractious (and litigious). The pain to continue with them may just be too much. Illustrating some of the complexities that need to be thought through:

Say you have taken over a commercial project, 50% complete, where one of the tenants signed up is a medical laboratory. Substantial work has been undertaken to customize the base building for this tenant. There are no potential replacement tenants, and a lot of work (money and time) would be required to reconfigure the space to attract alternative tenants. Canceling this tenant may simply be too costly. This tenant likely has strong negotiating power in this situation, even if they have signed up at below market rates. Your position will be stronger if this tenant has no alternative options or are under pressure to occupy the premises.

Suppose you have existing agreements to lease on a retail shopping center development. All the minor tenants are signed up at above current market value rates. However, the large anchor department store tenant has been signed at a rate so ridiculously low with such large incentives they are the main reason this project has failed. You want to terminate the anchor but keep the

minor tenants. The only problem is the minor tenants have clauses linking them to the anchor's presence, and in the current floundering market you definitely don't want to terminate all those minor tenants.

Or consider the scenario where you have taken over a 50-unit terrace home development that is completely presold. Construction costs have ballooned out and there is not enough revenue to cover the required development budget to complete the project. Given your high opportunity acquisition price, canceling sales contracts is necessary; however, some contracts are below market value, some are at market and some are above market. Do you just cancel some or do you cancel all contracts? The residential market is also slowing down so resales at the price required will take some time. The project is high profile and canceling agreements is likely to generate consequential negative publicity that could put off resale buyers. Plenty to think through!

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[1] A subcontractor continuity agreement is typically put in place between developer, funder and main contractor within a tripartite agreement. It allows the developer or financier to step in and manage subcontractors directly if there is a default by the main contractor.

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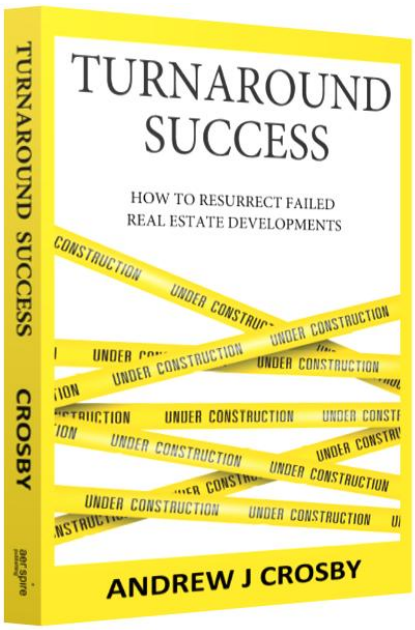

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Restart #4 Renegotiate and Continue July 29, 2025

Restart #4 Renegotiate and Continue

This is when you intend to complete the property development project primarily as-is, but you need to sweeten the deal to get the project to a suitable state to continue, or simply to increase the financial return. Essentially, you attempt to embrace what positives remain and renegotiate out of any negatives. That means renegotiating contracts and re-setting relationships.

Circumstances limit what you can renegotiate. How you approach negotiations also depends on what level of project commitment you are in. If you now own the project, you will be trying to both protect your current investment as well as obtain better terms. You may be restrained from using the walk away option. If you are negotiating before you have 'brought' then you can be more aggressive. The negotiation trifecta is to increase revenue, decrease costs, and reduce risk. Targets for renegotiation include:

- Construction contracts
- Fee agreements
- Sale and purchase or lease agreements
- Loan agreements

Construction Contracts

You will be in a strong position when renegotiating construction contracts if builders are owed money and your involvement may be the only way they can recoup that loss. Even if you have no obligation to pay the contractor for work already done, it might be advantageous to do so. This is to help reach favorable terms to move the project forward. There is only so far you can go. There is little point cornering the builder into a position where they will lose more money on the project and go bankrupt before it is complete. That situation typically does not translate financially well for the developer either.

You can afford to take a stronger stance if the construction market has deteriorated to the extent that the contractor simply cannot afford to ditch this project, walk away and find work elsewhere.

But your position will be weaker if costs have risen significantly since a fixed price contract was signed. Not a lot will be achieved from trying to renegotiate a price where all the contractors, subcontractors and suppliers have no room to reduce price.

If you are a developer-builder, then you might have a strong walk away position from existing contracts by simply completing construction yourself.

Assuming there is a potential advantage to renegotiating the construction contract (and you still want to progress with the current builder), then consider these elements:

- *Can the price be reduced?* Can the main contractor contact each of its suppliers and subcontractors and renegotiate their prices, to bring down the overall price they are charging for this project? One way is to set a target for the contractor to achieve. If they fail, then you will have to (or threaten to) walk away and procure a new builder. You could

bring on a new materials supplier who wants to undercut the existing one to increase market share. What leverage can you get over subcontractors to better their prices? Are you willing to sacrifice some for others that are keener for the work? Are the contractor's profit margin and preliminaries and general excessive?

- *Can the price be fixed?* If you are not inheriting fixed prices, then reduce your risk moving forward by having them fixed. Similarly replace provisional sums with fixed prices. For example, kitchens may have a provisional sum allowed based on concept. But that leaves the final price up in the air and open to escalation. Either improve documentation to allow a fixed price or put a design-build cap on the cost. It might be desirable (from a budget risk point of view) to have a new price that is higher and fixed rather than lower and open to escalation. Alternatively, if you are already in receipt of a fixed price, is it fixed at a rate that compensates the contractor more than the additional risk deserves? Savings could be available if you take on some additional escalation risk and unfix prices.
- *Can cashflow be improved?* A dollar today is worth more than a dollar tomorrow, so the saying goes. Contemplate deferring payments thereby reducing finance costs and improving near term cashflow. Can you extend payment terms from say weekly to monthly? Only pay for materials once they are onsite? Deduct higher retentions? Or stage larger payments later?
- *Can the contract be separated?* Take the example where a main contractor on a house and land subdivision runs both civil infrastructure works and house building. They are mainly a house builder but subcontract to a specialist civil contractor and in the process make a margin on that subcontractor's price. You could split that contract into two and remove one margin. Or you could separate out discrete areas like landscaping or fencing. Of course, how far you go needs to be weighed up against the additional management and coordination required as well as who is best placed to take on the risk.
- *Can the program be improved?* There may be an opportunity to re-program works to speed up delivery with more tasks running concurrently. Better payment terms (for example, bi-monthly rather than monthly) or a completion bonus could be just the incentive.
- *Can works be staged?* Is it better to stage the works rather than try and complete everything at once? For instance, take an apartment project comprising two buildings. The original developer had started construction on both but only had sales to sell out one. You could suspend construction on the second building with the intention of moving any purchasers to the first.
- *Can the builder take on more risk?* The existing contract may be a fixed price contract based on the documentation supplied. You may consider it better given your project circumstances to have the contractor take on design risk and run the consulting team themselves. Or as described above, are you better placed to take on more risk and reduce the builder's role?
- *Can you make the contract terms developer-friendly?* Who knows what motivation and pressure the original developer was influenced by when they signed up the construction contract. This may have been the only builder the developer could find to work with them and the contract may reflect that. Do liquidated damages exist at a suitable level

of penalty? Has the contractor provided a bank or performance bond? Is quality carefully defined? Are there processes to minimize variation claims and extensions of time?

Fee Agreements

Your ability to renegotiate fees with existing consultants will depend on the current resource demand in the market place and if they have any outstanding debt owed by the previous developer. Do they have something better to get on with and cut their losses on this project? Or is there an incentive to claw back fees now you are in charge? Ascertain just how crucial this consultant is for the project moving forward. You don't want to get over aggressive, have the consultant leave but find out later you still need their design statements or other certification to complete your project. When renegotiating, look at reducing the price, speeding up the program of deliverables, having more senior staff involved at the same price, having more delivered for the same price, securing higher professional indemnity and liability insurances and securing better rights to intellectual property.

Consultants might be convinced to take an ownership stake in lieu of fees. If you are taking over an office development, why not offer the architect space for their business at a discounted lease term in lieu of not paying any further fees? At a minimum you save leasing commission and you fill up part of the building.

Sale and Purchase or Lease Agreements

What rights do you have to renegotiate existing agreements to buy or lease? There may be a *force-majeure* clause or other condition that you can call upon as a valid reason to negotiate. If you have the right to quit contracts (such as in a liquidation) are you assured of making more money by securing new contracts? Or is it better to continue with existing ones?

Your negotiating position is stronger when the market has improved since the agreement was signed and you have the right to terminate the existing deal. Of course, you don't have to terminate, you could simply go back to buyers and ask for a price increase. Only if they refuse do you terminate. Even if the right to terminate is not black and white, you might get purchasers to agree to a price increase if you plead your case. This is more likely for the more emotive residential home purchaser[1] than for an investor and definitely not for a commercial lease (where they are much more likely to simply lawyer up and fight for their position). Consider this example:

You are taking over a 100-unit apartment project where the average sale price was $1,000,000 and 90 sales have been made. You have the legal option to terminate contracts. At that price there is zero profit in the project because of delays and budget overruns. You need 20% more income to make the project work. The real estate market for apartments has appreciated by 25% since these contracts were signed with buoyant (but not rampant) demand. Canceling all contracts and reselling for an average of $1,250,000 is an appealing option as that now puts the project into a fundable position (you can secure a bank loan to complete construction). However, securing another 90 contracts will take time and marketing expense. Plus, the risk is the market turns south. Rather than cancel contracts, you determine the best option is to ask existing purchasers for a 20% increase — they are still buying under market value and you can get the project to work. Through a lot of face to face meetings and difficult conversations[2] you get 50 buyers to agree to this increase, have to terminate 30 and agree to a smaller 10% increase for the remaining 10 buyers. You then sell the originally available 10 units plus the

terminated 30 for a higher than expected average of $1,300,000. These sales though do take some time and the market appears to be flattening out with the final few sales as low as $1,200,000. That achieves an average sale price of $1,230,000 — just enough to convince funders and continue the project. Whilst some money may have been left on the table, the risk of selling the entire 90 units was too great.

When asking for more money, understand the implications from a public relations and marketing perspective. Asking buyers for more money, contrary to their original contracts, is not the best look. As I have experienced, you can find yourself as the developer villain in a local news article. Framing the increase as the only way the project will proceed may get a more sympathetic reaction — providing your assertion is justified and buyers remain in profit.

There are other items that can be negotiated with buyers and lessees. Sunset dates and other deadlines, which because of the current delayed state of the project, cannot be met and will need to be extended. Additional works that the purchaser has requested may no longer be feasible. Warranties and guarantees may need to change. Design changes may be required, contrary to what the purchaser has originally signed up to. Whether you need to make concessions to obtain agreement or can take a firm line will depend on who holds the contractual negotiating power. That will be you if you can walk away and they have signed up at a below market rate (that presumably they want to keep at least some of that windfall).

Finance Agreements

Are you coming in with your own equity and debt financing or are you looking to take over existing financial obligations? If you are looking to take over existing financial obligations, then what you can negotiate will depend on where those financiers currently stand in relation to their security and how much you need their money. Once again, who knows what predicament the original developer was faced with when they sourced financing. They could have agreed to exorbitant fees and interest rates because no one else would fund them. If you are the financier's best hope of recouping their investment (let alone the interest) then they may be very motivated to work with you. To help them out of this project, you might be able to secure a very low interest rate moving forward. The existing situation could be so poor that you can get them to write off some of the principal and reset interest on a smaller balance. Or if you have secured funding from other sources at better rates and more favorable terms, you might be able to buy existing financiers debt out (at a discount of course!).

Financiers might entertain swapping debt for equity. This transfers a debt obligation where the developer must pay interest and return principal to the lender irrespective of how the project goes, to an equity stake where the financier only gets their money back once the project is complete and there is sufficient profit to pay for it.

Alternatively, there may be existing equity holders whose original investment is now severely depleted. To regain some of that back you could negotiate their shareholding down. Or convert their equity with expensive preferred returns and profit share into debt. Contemplate offering (or forcing) financiers and investors ownership into the final product. For example, in a housing development rather than the project having to pay an interest rate it can't afford, an investor's loan repayment is restructured into receiving a completed home. This also helps you sell down the project.

With complicated projects can come complicated existing financial arrangements. For such projects in trouble, navigating the existing financial arrangements can be like opening Pandora's

box. However, whilst securing a project where all previous financial interests have been eradicated is cleaner, you can lose unique opportunities to maximise value.

Throughout any renegotiation, ensure that you still maintain a good working relationship with all those involved as there is a long way to go!

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[1] Note, some jurisdictions have legislation in favor of home buyers that prevents this.

[2] I won't get into the details, but I have had to endure this less than enjoyable task a number of times — in lawyer's offices, places of work with burly workmates present, cafes with professional negotiators attending and even people's living rooms surrounded by an entourage of extended family. My approach: lay all the facts on the table, don't hide anything and try and turn it from an emotive issue to being purely financial.

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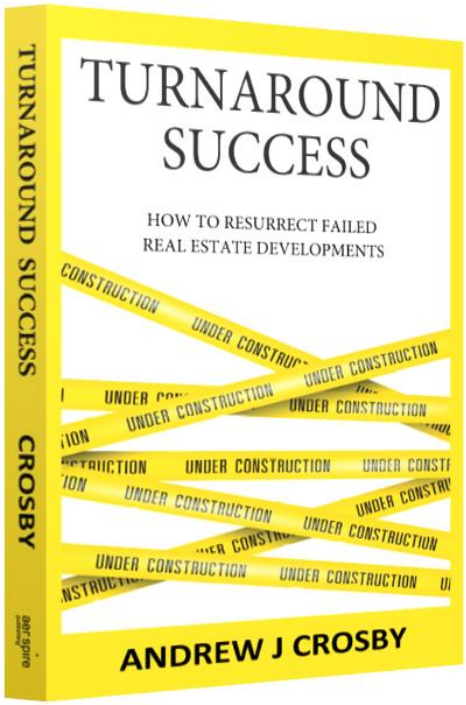

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Restart #3: Clean Up and Dump July 27, 2025

Restart #3: Clean Up and Dump

This is where you have no appetite to continue the project but there is some work required and value to be extracted before you liquidate. Basically, you massage the project into a stable state to make it attractive to a purchasing developer — for a premium, of course. Preference may dictate though, to sell the project into a joint venture. This can be a way to retain a financial interest in the eventual (but shared) profit. The project risk profile may be so elevated that this is a better exit strategy than a hugely discounted sell off.

The formula to optimize your position requires:

- Stabilizing the project
- Tying up loose ends
- Eliminating risks
- Keeping options open
- Packaging documentation

Stabilizing the Project

Take to the project like an army triage doctor on the frontlines. First, determine if the patient is dead, unconscious, or merely wounded. Then remove them as gently but as quickly as possible from the battleground to give yourself time to treat. If dead, then you have plenty of time, but don't wait too long as the body will begin to smell. If unconscious, determine if it's best to leave them in a coma or to revitalise before they deteriorate further. For the wounded, remove shrapnel, clean the wound and, most importantly, stop the bleeding. Then dispense a dose of medicine to get them through the night.

Or put another way stop everything that is not critical to protect your cashflow — the blood flow. Prioritise stopping or pausing over continuing where you don't yet have a clear diagnosis. That applies to contracts, construction and all design and planning work in motion.

Tying Up Loose Ends

Check all contracts. Close out those no longer needed. Amend those that have been affected by deadlines being missed or a change in scope. Protect warranties and guarantees as much as possible — that might require some cash outflow. Are there some easy wins? For example, consider an office building that is half way through leasing, but with no lead tenant. If you spend a bit more effort securing a lead tenant, you will be better placed to increase your sale price.

Eliminating Risks

If you have the right to terminate contracts, then get rid of anything detrimental to achieving a maximum sale price. There may be work you might as well complete because few buyers will be interested except at an extremely high-risk premium. For example, completing site decontamination on a housing subdivision until it is tested clean, or continuing works to 'close-in' an office building to protect it from the weather. Also address any pending legal claims so the project can be sold litigation-free.

Keeping Options Open

Throughout the above, keep your potential buyer's options open. They may want to move the project in a completely different direction. And you could be throwing money into something they see no value in. Canvas potential buyers early so you understand as many options as possible — even if you intend to formally list the property. But don't force yourself to list if you find a willing buyer at a good price during this process. If the project is a real mess, there may only be one buyer out there. Keeping contracts and relationships 'in place if required' is important. Give your buyers every opportunity to extract any value they might find where you can't.

Packaging Documentation

Lastly, package it all up for sale. Putting the marketing to one side (the fluffy stuff), let's concentrate on the documentation (the detail stuff). It should be simple, but the number of times projects are put on the market with deficient information is staggering. I don't know if agents think a lack of information will make a buyer think an opportunity is better than it really is or that they are just lazy. From my experience, full disclosure allows buyers to work out how they are going to mitigate the risk of the purchase. They may only have limited resource to do their due-diligence. So drip feeding them information, only when they ask for it, can quickly make their interest wane. The best way is to create an online data repository with individual client access and an audit trail of who has done what. That way you can see what potential buyers have 'logged on' and what documentation they have reviewed (or at least downloaded). That helps you follow up with them and can be an immediate indicator of their interest in buying. One tip is to rename all the files or at least folders so it makes it easy to review. There may be hundreds of files from consultants and councils. Unless everything is digitised and searchable by meta data and keywords (which is the ideal) then finding what you need quickly is difficult. For example, change *xco.2022.gs.masonAve.pdf* to *GeotechDesktopReport2022.pdf* so it is easier to find and for buyers to distribute to their experts to review.

All this shows you are organized. That might psychologically influence the buyer that the project they are buying is also somewhat organized and not so much of a crisis case. They gain comfort that the project is wounded, but not mortally, and they are not expected to do the triage themselves.

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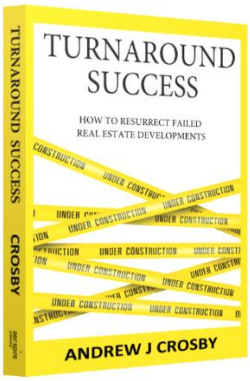

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Restart #2: Continue As-Is July 27, 2025

Restart #2: Continue As-Is

Continuing the project as-is might be necessary when you are so far through construction that there is no viable alternative to make substantial changes. You are trying to recover what you can or stop the bleeding as much as possible. This is the case if you are working on behalf of the lender who is trying to recover the outstanding debt on a project and the discounted 'fire-sale' to get another developer interested is too costly. So the funders decide to keep control and complete it themselves. Alternatively, it could be that you have now acquired the project at such a low cost that it makes it feasible to continue as-is.

When continuing with the project in its current form you are taking on all the positive and negative factors uncovered during your audit. Make sure you are catching the knife by the handle and will confidently have everything under control moving forward.

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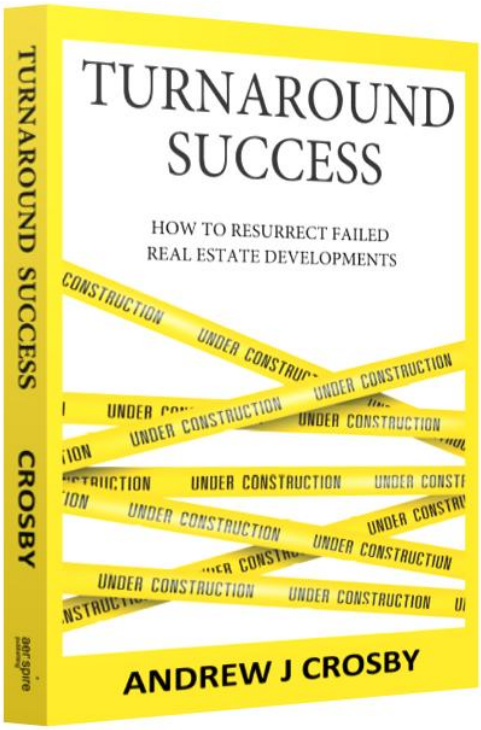

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Restart #1: Intro July 22, 2025

Restart #1: Intro

"Phoenix will, once again, rise from the ashes."
Author[1]

The project is ready for the taking. You have done your due-diligence, understand why the project has failed and have thoroughly audited all documentation and everyone's status. You are comfortable you now know enough to take this opportunity forward. Your motivation is coined in the words of Sam Zell: *"I was dancing on the skeletons of other people's mistakes."**[2]* Or you have no option anyway as you have been called in for the lenders (or whoever still has skin left in the game) to sort this one out! Either way, what has happened on this project in the past is history and now is the time to restart.

How you restart will depend on just how viable the project is in its current form. Do you continue with just a few tweaks or do you make some drastic modifications or take a completely different approach? Broadly your options include:

- Continue as-is
- Clean up and dump
- Renegotiate and continue
- Clean slate and continue
- Consolidate and segment
- Restructure existing
- Reposition
- Re-plan

The approach may include a combination or even mixing elements from within each option. I'll describe each option and constituent elements and leave you to pick and choose what meets the specific circumstances of your project. For a multi-stage, multi-dimensional development project in an ever-evolving marketplace you might find yourself embracing all of the above!

This series continues...

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[1] I spent the Global Financial Crisis in Phoenix, Arizona — ground zero for the subprime mortgage enabled housing boom and bust. This quote was a title of a contrarian investment proposal I presented — to prepare for the recovery. But boy did the recovery for the asset owners take a long time.

[2] Bruck, C. (2007, November). *Rough rider: Where will Sam Zell take the struggling Tribune Company?* Retrieved from https://www.newyorker.com/ magazine/2007/11/12/rough-rider

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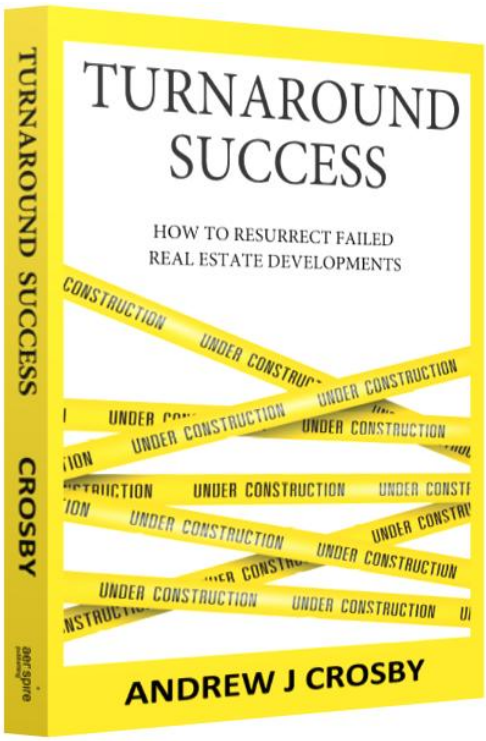

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Persistence Pays: #5 Funders July 4, 2025

Persistence Pays: #5 Funders

Property development is all about persistence. You will never make it to the finish line (at least on time and on budget) without unwavering persistence in almost everything you do. Persistence is about challenging the status quo and not accepting mediocrity. Persistence is about persevering to find a better, faster, cheaper or more valuable alternative to the solution that is first presented. It's persistence with people that is most important. Persistence to a point of course! It's a fine line between being just persistent enough to achieve what you need and being a pain in the butt that paradoxically slows things down.

This series 'Persistence Pays' is my who's who list to be persistent with and when you might need to restrain yourself.

Funders (Banks, Investors, Boards and Partners)

When dealing with funders (whoever holds the purse strings) my golden rule is to persistently communicate. Your new word is '*Persistamunication*'. You never know if you will need to extend your funding. A hiccup with construction or a slowing sales market could trigger it. Before you get in that situation, ensure you have a great working relationship with your funders, and that means talking. Communicate the good news in between typical reporting periods. Don't hold back the bad news. Even if you are confident that you will fix some bad news before they need to know, consider telling the bank. When you do fix something that might have caused a scare (so long as your incompetence didn't cause it), funders will gain more confidence in you. This is one group that will appreciate you being persistent on the project. So instil trust with your funders and show them just how hard you persist with everyone and everything to see the project through to the bitter end.

The moral of this section: Persistence has a pay-off. Without persistence, development projects can flounder and every day equals extra dollars.

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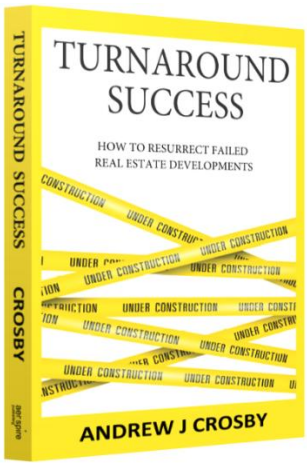

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Persistence Pays: #4 Sales & Marketing July 2, 2025

Persistence Pays: #4 Sales & Marketing

Property development is all about persistence. You will never make it to the finish line (at least on time and on budget) without unwavering persistence in almost everything you do. Persistence is about challenging the status quo and not accepting mediocrity. Persistence is about persevering to find a better, faster, cheaper or more valuable alternative to the solution that is first presented. It's persistence with people that is most important. Persistence to a point of course! It's a fine line between being just persistent enough to achieve what you need and being a pain in the butt that paradoxically slows things down.

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Real Estate Agents, Sales and Marketing

If sales are going according to plan, then your real estate agents will be doing their job. Yes, they probably can always do better. And by better, I mean sell and lease faster and/or for more money. I am running out of letters to add to the word persist, but let's call this one '*persistasales*'. Consider three circumstances:

- In-house sales and leasing
- External agents
- Sales strategy change

In-house Sales and Leasing

With an in-house sales team persistence requires all the usual sales manager motivation, slash inspiration, slash training, slash lending-an-ear type responsibilities. It also means persistently encouraging (empowering) the team to find local marketing mechanisms rather than solely relying on head office. Gather regular feedback from those in the sales trenches and action the sensible ideas. It's all too easy for sales consultants to default to wanting a price reduction. So being persistent is to continuously separate pricing incentives (freebies and price discounts) from marketing initiatives. When things aren't working you try something else — don't let the team stand still. When things work well, put more resource into that effort and persistently promote it to the in-house team.

External Agents

Often the external agent you use will not be solely dedicated to your project. The agency that engages you certainly won't. An individual or three might be if they are part of a project marketing team. However, unless your project is substantially large, only juniors or showroom staff will be one hundred percent dedicated to your project. The main agents you engage to sell or lease your project will more than likely have other selling priorities. If your project does not create the highest number or value of transactions in a certain period, compared to the agent's other activities, then their interest will wane. This is even if you offer a higher commission — because agents get intoxicated from making the sale. To many agents, a dollar now is more addictive than two dollars later. Moreover, external agents are in the listing business. They need

to develop more listings to grow their commission base. And that means more clients competing with the attention your project deserves.

The short of it being you need to be the number one client to 'your' external sales and leasing agents. Invest your time in them, so they invest their time in you. Turn up the *persistasales* volume if it gets tougher to get transactions over the line. Emails, texts and phone calls won't suffice, although you should be communicating this way at least every single day. Add to that a combination of coffees, lunches, dinners, events and parties. Don't mistake this for stalking. These are the people responsible for your project's income. It's about making sure selling or leasing your project is always at the top of their mind.

Change in Sales Strategy

What happens when the market changes and your sales strategy no longer works? Well, you could go re-read Chapter Five 'Fresh Image'. However, on the assumption you are almost at the sales finish line, but sales or leases are drying up and you just need to persist, then ask these questions:

- *Are your agents too well fed and now lazy?* Ok, that might be a bit harsh and, let's face it, realtors already get a lot of grief. A good agent is always on an aggressive look out for their next commission. After all, if they have been on this project a long time and already made a lot of money, then the last few commissions may not matter so much to them. Near the end they will already be looking for their next project, and yours is slipping down the priority list. Persistently keep them on their A-game or hire in new — and more motivated — blood.
- *What is the effectiveness of incentives?* Whatever buyer incentives(or motivational buy-now tactics) you used when sales first started slowing will quickly lose effectiveness. You could try upping incentives such as a cash bonus. But if you withdraw it later, after you have achieved a target, then you face a kind of perverse-reverse sales motivator with the agent thinking if they wait long enough you may increase sales incentives again. *Persistasales* means convincing agents that every incentive is just a one-time deal.
- *Are they experienced in this new market?* Rather than the cause being a blasé attitude, sales or leasing agents may just not be as effective (or experienced) in the new market environment. For example, let's say you are developing a housing subdivisionand your sales were all based on preselling. That involves selling buyers on the vision using plans and renderings and maybe a showroom. Preselling is all about selling buyers on the premise to 'get in now' to secure a pre-construction opportunity. It is a different skill than selling a home under construction or a completed home. When selling a completed home, the buyer sees warts and all, but also can appreciate the final product. An agent sells the buyer on the benefits of the finished product. Conjuring up a vision is not required. Some agents are better at preselling homes than selling existing and vice-versa. If your project has an agency who originally pre-sold, but because the market has slowed is now faced with completed homes to sell, then the differing expertise needed could handicap further sales. Persistence in this case might be futile. You may need to look at changing to agents who specialize in finished home sales. Similarly, you may have inherited a project that had completed homes and your sales team were employed to sell those down. They did a fantastic job, so you moved them

into preselling the next stage. But for whatever reason (they blame the market) they are not closing deals. It may be time to get the ‘pre-sale’ specialists in!

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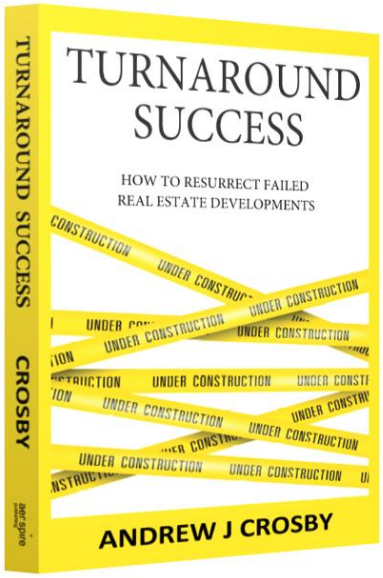

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Persistence Pays: #3 Contractors July 1, 2025

Persistence Pays: #3 Contractors

Property development is all about persistence. You will never make it to the finish line (at least on time and on budget) without unwavering persistence in almost everything you do. Persistence is about challenging the status quo and not accepting mediocrity. Persistence is about persevering to find a better, faster, cheaper or more valuable alternative to the solution that is first presented. It's persistence with people that is most important. Persistence to a point of course! It's a fine line between being just persistent enough to achieve what you need and being a pain in the butt that paradoxically slows things down.

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Build Contractors and Subcontractors

There are two times you need to persist with build contractors. One, before you have a signed construction contract and two, after you have signed the contract!

When you are scoping projects be gently persistent to extract build rates and pricing that you can use to revise your feasibility and budgets. It's important to maintain good relationships with contractors for this purpose — once again it's a two-way street. If you are asking a contractor to give you some pricing for say, the next stage of the failed project you have just taken over, then he's only doing that where there is a potential job for him down the line. As a developer it's easy to forget that it may take the contractor some time and effort even to provide indicative pricing, especially if there is substantial construction cost inflation in your market. Any contractor will give you at least one quote, but after that they will increasingly become weary if no job (for them) results. If they are already doing multiple jobs for you then they should oblige providing estimates or quotes. Otherwise though, don't overstay your welcome. Sometimes when I get conscious of overusing my contacts, I say it's for feasibility purposes and offer to pay them like a professional cost consulting service.

Once you are in a legal contract, then the contractor should perform as per the letter of the contract and no need for you to have to encourage or persist, correct? Well, oftentimes, no. Let's call this '*persistagality*' (persistence with legalities). This means generally persisting with the contractor to get variation price and information requests back to you as soon as possible (irrespective of what the contract says). Reciprocate by helping the contractor out by getting them information in a timely manner as well and they will probably be more forthcoming. When managing the construction contract you need to persist with laying down your expectations of how you will treat additional cost and time claims. The contract, when negotiated correctly, should stipulate the process and what is valid or not, but often there is still a level of interpretation required.

If your project — already resurrected — starts to have its own construction delays and budget overruns (argh, not again!), then *persistagalities* takes on a whole new meaning. Especially so where additional costs are not clearly covered by liquidated damages or are your responsibility. Now you are compelled to persist, outside the scope of your contract, to limit the damage. Take this example:

As the client you are responsible for supplying an electrical transformer for a new industrial building that you have pre-leased. The transformer delivery is late by a month. That impacts on the contractor's ability to finish their works as they can't do their final hook up and test the electrical circuits. The contractor could be entitled to make an extension of time claim for $1,500 per working day or $30,000. Worse, on the other side of the equation you have promised a commencement date to the incoming tenant that will now be delayed — a double whammy! That penalty is another $20,000 hit to your bottom line, not to mention an angry tenant. Persistence to minimize your loss is required. You need to find a creative solution and you may not be able to legally rely on the contractor to help. I found myself in such a situation. We rigged a temporary power supply up to another source. We agreed with the tenant that we would pay their power until the transformer was in place, including a day's loss of trade to switch the power from temporary to permanent. After convincing the contractor, we modified the existing construction contract to enable works to be completed later when the transformer arrived. That allowed us to get the tenant in on time and removed the potential of costly extensions of time with the contractor. There was the tenant loss of trade cost, some double up of works and a reasonable variation from the contractor to come back on site once the transformer was in place. In the end, because of polite but persistent hustling to obtain agreement from both the tenant and contractor, the damage was much less than it could have been.

Many construction contracts include a defects liability or warranty period. This is when the builder is legally obliged to return to fix any issues or latent defects. This period can be a testing time for your *persistagalatic* attitude, especially if the builder has left the jobsite and is now immersed in other projects. As time goes on they can get progressively more difficult to contact and coordinate to fix issues. It might be next to impossible if there are no retentions or final payments withheld. Add to that, you can have buyers or tenants who will be on your back to get issues fixed. But now there may be others in the middle, like agents and property managers, making it all the harder to complete tasks. This final effort to complete everything requires developer persistence — don't underestimate it.

The moral of this section: Persistence has a pay-off. Without persistence, development projects can flounder and every day equals extra dollars.

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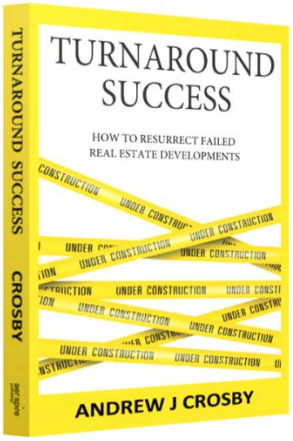

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Persistence Pays: #2 Consultants June 30, 2025

Persistence Pays: #2 Consultants

Property development is all about persistence. You will never make it to the finish line (at least on time and on budget) without unwavering persistence in almost everything you do. Persistence is about challenging the status quo and not accepting mediocrity. Persistence is about persevering to find a better, faster, cheaper or more valuable alternative to the solution that is first presented. It's persistence with people that is most important. Persistence to a point of course! It's a fine line between being just persistent enough to achieve what you need and being a pain in the butt that paradoxically slows things down.

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Consultants

These are the professionals you have signed fee agreements with to deliver advice and documentation for a healthy (often hefty) fee. If you have negotiated appropriately then they will all have fixed deadlines in which to perform. Most likely though included in the fine print will be enough disclaimers to provide the excuse that they need more time to do this or that. Being facetious for a moment: architects are notorious for being late, engineers are terrible at getting back to you in a timely manner and project managers may be so busy with other clients you are not their number one priority.

As much as they like to tell you otherwise before you have signed the fee agreement, my experience is that you need to drive consultants persistently to perform. Let's name this '*persistaformance*'.

Not all require considerable follow-up, but certainly plenty of them, and it gets worse when the industry is busy. I can usually tell from the initial email exchange where a consultant lies on the tardiness scale. If they start off with a poor, confusing or even arrogant communication trail, it probably isn't going to get better. A few manage to be all communicative at the start and then after they have been engaged, deteriorate over time. One pet peeve is when consultants are all keen and willing to take on multiple projects for you. Later, months down the track, they ask you to tell them which of your projects takes priority because they have too much work on! They should have planned their resource to deal with all your projects concurrently, when they first took on your engagements. Much of the time it's not that the consultant is being unprofessional it's just that your number one priority is not theirs.

Now you don't need to tread as lightly compared to dealing with the bureaucracy. You are paying these professionals after all. You should be firm and set high expectations (remember you should have done this when you restarted the project). And be relentless in your follow-up when you are not receiving deliverables in adequate time. Don't take the excuse bait that quality will be compromised.

A final note: for *persistaformance* to be achieved you must live up to your end of the bargain and pay consultants on time when they do deliver.

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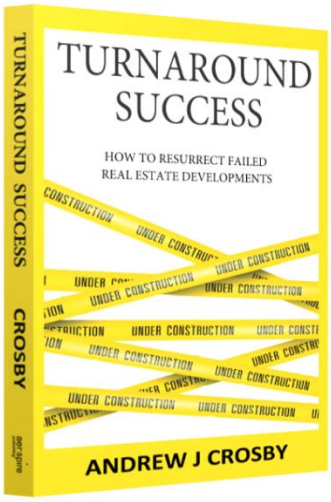

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Persistence Pays: #1 Officials June 29, 2025

Persistence Pays: #1 Officials

Property development is all about persistence. You will never make it to the finish line (at least on time and on budget) without unwavering persistence in almost everything you do. Persistence is about challenging the status quo and not accepting mediocrity. Persistence is about persevering to find a better, faster, cheaper or more valuable alternative to the solution that is first presented. It's persistence with people that is most important. Persistence to a point of course! It's a fine line between being just persistent enough to achieve what you need and being a pain in the butt that paradoxically slows things down.

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The Bureaucracy

Here are some of the things you might typically hear from council, local authorities, government departments, utility operators and the like:

"It's in the queue."

"We have 20 working days to process this application."

"There has been a request for further information and therefore your approval is on hold."

"We have limited resource and cannot attend to your request at this time."

"We have no record of that information. Can you resend."

"The person looking after your consent is on vacation and the file has been reassigned. When that person has reviewed the file they will be in contact."

"We have not assigned a person to this file yet."

"You (referring to your consultant) have not provided us with the correct information in the format that is required."

"You (referring to your consultant) have not provided all the information that is required."

What you want to hear:

"Hi, my name is Bob and I will be looking after your request. If you have any questions, please do not hesitate to contact me directly on my cell phone at any time. In relation to your request, I will be working on it on Wednesday, expect to finish it by Friday, have my manager sign off on Monday and formally inform you on Tuesday. If I have any questions I will email or call you directly by Thursday."[1]

And if they need to, they do it, by Thursday.

To get from 'what you typically hear' to 'what you want to hear' requires a special kind of persistence. Let's create a new name to be added into the Oxford dictionary and call it '*persistochology*'. We'll define that as 'the behavioral psychology of being politely persistent to

extract certainty from a bureaucratic organization without having them take offence and red tape up any door that you are trying to open'.

It's a delicate balancing act. In countries where bribery proliferates, at least the ground rules seem so much more transparent — pay up and get results! For the rest of us, you need to be persistent to get the answers you need. But this comes with the warning that officials can swamp you with jargon and excuses if you stray and become too officious. Many public organizations have statutory time limits in which to respond. However, there are so many ways they can stop the clock. Good relationships help. However, half the battle is finding out who is dealing with your request. Steadfastly find out who that person is, then determine how far is too far when trying to attain an answer. Note, we are not even talking about trying to influence someone to your way of thinking or to approve something that they have discretion over (i.e. outside the rules). This is just to get some certainty and the all-important ETA.

I have found it's people not policy that greases the wheels of action. When you find that someone who can make the proactive action leap to what you *want to hear*, then take that person to lunch, put their name in your phone speed dial contacts, send their office morning tea cupcakes and always send a Christmas card.

The moral of this section: Persistence has a pay-off. Without persistence, development projects can flounder and every day equals extra dollars.

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[1] I wish I was being cynical. If you do encounter a Bob (they occasionally exist) then treat 'em like gold.

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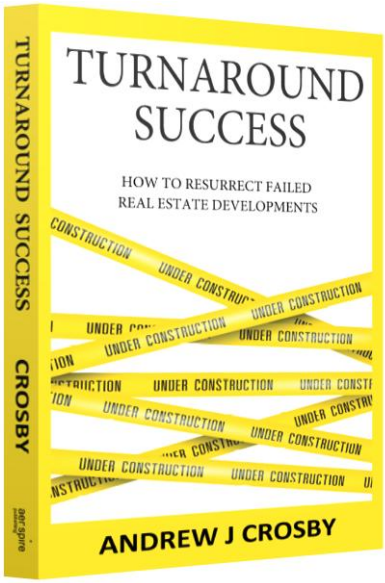

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Deal with Issues Quickly June 28, 2025

Deal with Issues Quickly

If there is one thing that has been psychologically rammed down my throat on countless occasions, it's this: you need to deal with problems pronto. On just about every development project (whether resurrected from a past failure or not) I have been involved in, where an issue is allowed to linger, the issue inevitably gets bigger.

Time is not the developer's friend. What on the surface can appear to be a minor issue, given enough time could affect the critical path of the project timeline and end up costing a lot of money. Further, issues rarely act in isolation. A problem with one thing can easily create problems somewhere else, and they all take time to resolve. You may not even realize this until you have tried to solve the initial issue. Even worse if you are doing multiple units (like 200 apartments) then you may have a little issue suddenly amplified (by two hundred!).

To illustrate:

The background. A new home buyer after signing a sale and purchase agreement, but before going unconditional, requests and is granted (by the previous developer) a variation. This is for an additional bathroom on the ground floor of their new two-level home. This variation is kept at the lawyer's office. Before anything is done to 'action' this new bathroom, the project fails. The financier takes over managing the development, appointing you in charge. They request all copies of the original sale and purchase agreements to understand what has been agreed to. This variation is on the lawyer's file but since it is not in the original contract it does not make its way to the financier or to you. You assume everything you have seen is full and final. All current agreements with purchasers are to be honored, so the bathroom must be built. The issue is obvious, you don't know about this new bathroom and now you are going to build the buyer's house without it.

The ramifications. It will depend on when you find out about the bathroom and how long it takes you to resolve.

If you find out whilst architectural plans are still being finalized then the cost will be an amendment to the architect's plans, the engineer's foundations (to allow for pipes) and that's about it. Say $1,000 for those fees and another $9,000 for the additional construction costs to build the bathroom. This is a $10,000 issue, now resolved.

However, what if you don't find out or do anything about it until after building consent has been issued and you have already signed a fixed price contract with a builder? Then you must amend the architect's and engineer's plans ($1,000); make an application to modify the building consent with council, requiring a fee plus documentation ($2,000); and get a price from the builder to make this variation. While it would have only cost $9,000 if originally designed for and competitively tendered, now you have a fixed price contract and the builder has little incentive to sharpen her price. She goes back to all her subcontractors (with their fixed price contracts) and everyone charges you full price plus margin. It now costs $14,000. The total issue, now resolved, costs $17,000.

Wait though, consider if your assistant project manager was only first alerted to this problem at the start of construction. He sent it to the architect to make modifications, but it was low on the priority list (i.e. lots of other issues to sort out). Unfortunately, weeks pass without follow-up. Eventually the architect sends your assistant a revised plan who in turn sends it to the builder to implement. The builder replies, *"Well, because we have already started construction, we need to realign in ground wastewater pipes that are in place, plus we will need a building consent amendment. But in waiting for that we will not be able to get the council inspector to sign off on the slab inspection. That affects critical path for the whole house, so construction will be delayed by two weeks — and I will need to cover that."*

The assistant runs the numbers.

$1,000 Architect & engineer

$2,000 Building consent fees

$14,000 New bathroom works

$1,000 In-ground wastewater changes

$2,000 Builder's extension of time ($200 per house per day for two weeks)

$600 The additional interest payable to the bank while you wait for the house to be complete

The total cost is now $20,600.

And then let's say you leave it even longer. The buyer asks for an early inspection to see their just about complete home. Your assistant shows the buyer around and they comment on the missing bathroom. The assistant, a diligent person, immediately goes into overdrive to find out if the buyer is correct and why there is no bathroom. It takes a week, but the missing correspondence trail is tracked down. Not good, a new bathroom must be installed. Unfortunately, the ground floor has a large bedroom space already carpeted and walls painted ready to go. The carpet will need to be cut back and thrown away, a wall will need to be removed, the ceilings repainted, and new walls built. The concrete slab needs to be uncovered so a new wastewater pipe can be installed. Not only that, but one of the walls that needs to be changed is a structural wall, so extra bracing must be added to other walls. The builder tells you it will take three weeks to do this work and another week to get council sign off. Plus, it is now going to slow them down finishing another house in the project by two weeks as they need to move trades to re-prioritize works. The list of things to be done grows[1]:

$1,000 Architect & engineer

$2,000 Building consent fees

$14,000 New bathroom works

$1,000 In-ground wastewater changes

$8,000 Rework, demolition, modifying existing, cutting slab, making good.

$4,000 Builder's extension of time ($200 per house per day for this house, four weeks)

$2000 Builder's extension of time ($200 per house per day for the other delayed house, 2 weeks)

$1200 Interest payable to the bank while you wait for both houses to be complete, four weeks.

That's a whopping $33,200 for a bathroom! More than double if it had been sorted out earlier.

Now assume the buyer is a hotel operator and you have 500 bathrooms to sort out! Do you see why now you should get onto issues as early as possible?

Let's stress the point: get onto issues immediately, get the problem resolved, uncover the source and find a solution.

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[1] I could go on and on with this — it's by no means an extreme example.

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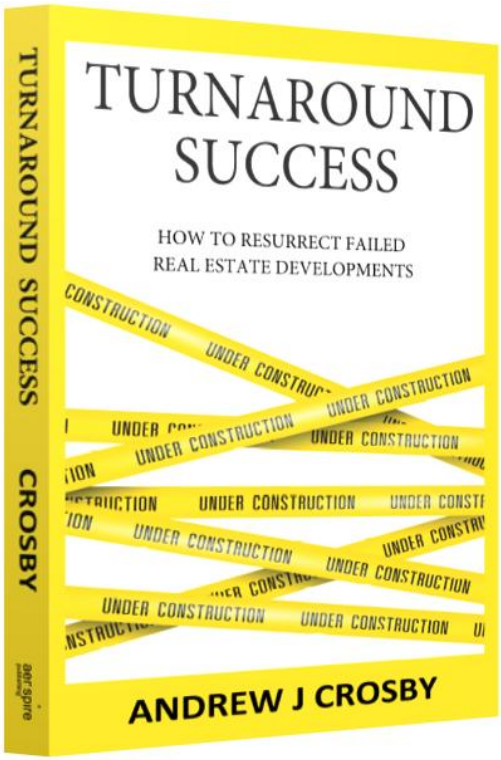

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Inhouse or Outsource Series #6: Marketing June 3, 2025

Inhouse or Outsource Series #6: Marketing

Marketing property developments is all about creativity and creative type people. Turtle neck collars, a lot of black clothing and brightly coloured socks (or stockings). But we can break project marketing down to three core elements: creative, collateral and production. Each of which we consider for in-housing or outsourcing by assessing quality, ingenuity and the budget.

Creative

Consider just how creative you have to be on your project. What if you are trying to sell super luxury waterfront condos to a very discerning buyer in anything but a super-hot market and this is your first time doing so?[1] Outsourcing to an aloof high street creative agency, experienced in this market, is probably the best option. On the other hand, what if you are marketing an industrial warehouse complex? You probably don't need such expensive talent. If you intend to use a large real estate agency they may have their own in-house marketing team. Their creative ability needs to be weighed up. Are they proficient at creating physical as well as digital strategies? Do you still need to engage other external marketing agencies? Or do you have existing staff that handle this project in-house.

When kickstarting a failed project, the creative side is probably not something to try and save money on by in-housing — unless marketing is your existing organization's forte.

Collateral Design & Management

Collateral is a different matter. Collateral is all the brochures, plans, advertisements and marketing materials you might have in a show home or display suite. It also includes websites, social media, online distribution channels and the 'doing' part of any digital strategy (banner adverts, key words etc). Whilst specialist designers are required, they don't need to be super-creative — as the conceptual work is already done. External marketing agencies can make a lot of money by producing this work. This is because it is typically the lower paid staff that do all the work, once the creative flavor has been delivered. You might be paying senior executive rates for work a junior is undertaking. In addition, the lack of control can be stifling and expensive. Often you are marketing developments while details are still in flux. There are changes from the architect, required by council or recommended by sales and leasing agents. Each time you make a change, the marketing collateral must be updated. That means more rework and fees from the creative agency. It can also mean waiting for them to schedule it in, especially if they are not exclusively tied to your project. There are flow-on effects if they are managing production and due to changes communication breaks down. Printing a brochure that is no longer relevant is not a fun thing to pay for. Collateral design prepared by a real estate agency marketing department is often boilerplate (based on existing templates that do as much to advertise the agency as the project). If that's not what your project needs, then withdraw collateral design and coordination from their services.

Collateral design and coordination are easily in-housed. It's often as simple as hiring a young, energetic graphic designer on a full time or part time basis. Just having them at your disposal is invaluable to make swift changes. This is all the more important for a project where you expect a bit of marketing trial and error to get across the finish line.

Production

Production includes the output of collateral design and all the printing, delivery, and installation of everything from brochures to signage. This is almost always best left as outsourced. You can easily tender the work and it is usually a competitive environment — lots of printing companies. Production involves expensive equipment and, unless you plan to start a printing business, not conducive to in-housing on a particular project. However, project management and coordination of the print company can be easily in-housed. It might be the same graphic designer that you hired, a junior project manager or on simple projects left to the sales and leasing team to manage.

Marketing Budget Forensic Analysis

Of course, the ease of in-housing something versus outsourcing also depends on the cost. Ask *"what is the cost differential of in-housing versus outsourcing?"* This is where you take a microscope to the existing marketing budget.[2]

Look at every line item. Understand the deliverables behind every line item. Make sure all costs are broken down into line items. This is so you can accurately determine what each deliverable is currently costing you. And you can use that to compare the in-house cost of delivering that same item (staff costs multiplied by hours required) to outsourced fees. Often an external marketing agency will provide a broad-brush quote without breaking down the cost of individual elements. This makes it difficult to work out the true cost behind each item, or even exactly what items are going to be delivered. If several deliverables are agglomerated into the same category, then break them down. For example, rather than design services for marketing collateral, have it broken down into signage, adverts and brochures.

Take it further and extract out the per unit cost. For example, if the total advert design spend is $200,000 across 100 apartments, then you have a $2,000 per unit advert design spend. You can now adjust and compare costs independent of the size of the project. Note any cost that has a fixed component. For example, the $200,000 might represent $100,000 of design that is required regardless if you are selling one apartment or 100. The remaining $100,000 is a variable cost of $1,000 per unit. Consider volume pricing; for example, if there are less than 50 units, the variable cost per unit may be $1,200. Also ensure any admin and project management time is decoupled from deliverables and provided as an hourly or daily rate.

This specificity allows you to more accurately evaluate the costs the project was currently being charged or incurring. Now you can ask other suppliers (of comparable quality and creativity) to quote services on a per unit/per category basis plus itemize project management and administration. That will make it easier to identify pricing gaps where the current supplier has become laissez-faire with the account and over the years upped the charge-out rate. Or it allows you to substantiate that an existing supplier is close enough to market rates not to bother pursuing alternative suppliers further.

The larger the deficit gap between an outsourced marketing spend and alternative suppliers will indicate a higher potential to in-source. This is because this alternative supplier is still making a margin to do the work, and this is a margin you can grab whilst now knowing they must be able to hire staff and pay other costs to complete the task (once again quality and creativity controlled).

To figure out the per unit cost of doing this work in-house it's a matter of working through these three questions:

1. How long does each deliverable take to complete?
2. How many units of that deliverable can be completed in a work day/week or month (whatever is most relevant)?
3. How much does that person cost in wages, salary, bonus, perks and other remuneration requirements for that period of time?

Dividing 3 by 2 gives us a raw per unit in-house cost. Then you need to address the following questions and cost accordingly:

- Do you need a specialist, or can a generalist do the job?
- Can you easily hire these people in your market? What if the first one quits?
- What ongoing training and systems will they require?
- How productive can they be at your organization, where they are just one of many different others, compared to a marketing agency where everyone lives this work?
- What administrative overhead will they attract? Do you have space? Can they work from home/alternative workspaces?
- Do you have enough work to keep them productively employed?
- Can their employment be tied to the duration of the project?
- Are there hidden deliverables that have not been accounted for? For example, what management resource will they require?
- Will there be a period where essentially you are paying for an employee concurrently with an outside supplier while the employee gets up to speed?

With costs determined you can finally compare in-housing versus outsourcing marketing. The decision requires a few final considerations:

- What is the actual proposed financial saving? Is it significant enough to make a change?
- Will production, lead times, delivery times or deadlines suffer?
- Will sorting out in-housing distract management from the greater task — is it a battle for another day?

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[1] You know, when properties literally sell themselves.

[2] If it doesn't exist, then create a detailed breakdown of the existing marketing budget.

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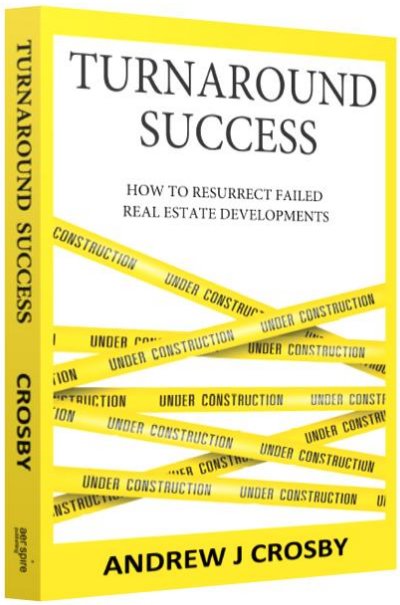

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Inhouse or Outsource Series #5: Acquisitions June 2, 2025

Inhouse or Outsource Series #5: Acquisitions

Acquisitions adjacent to your project site

Today we will look at the situation where you need to acquire additional land to make your current project work. For example, consider an adjacent site, where if you can amalgamate, your combined site will achieve a much more profitable outcome. At the government housing department, we had dozens of inner-city single family sites potentially suitable for redevelopment into terraces and apartments. However, many were oddly proportioned, and not well suited to maximizing site density. The sites were literally shaped by decades of the government selling, buying and redeveloping. Quite often there was a neighboring property or two that if acquired and amalgamated would 'unlock' the development. For example, a larger site could open-up planning rules allowing a higher density, or it might enable a suitably sized road access. Sometimes the neighbor to be acquired was even larger than the original site.

If you require acquisitions, then you can hire others to approach neighbors or you can do that in-house (maybe yourself). It is quite a delicate situation. If the current owner knows you are going to make more money by acquiring their site, then they may think this is a great opportunity to up the price. If they are not really interested in selling, they may just up their 'price' to ridiculous levels anyhow. With that in mind, in-housing that alerts neighbors to you being the interested party might not be such a good idea. Conversely, you (or one of your internal team) may be the best messenger to leave the neighbor in no uncertain terms: if you don't take this deal now it won't come around again. And because they don't have to pay a commission they will get more for their site. This strategy works best if either you don't need the land (nice but not necessary) or, if you are negotiating during your due-diligence period (where you can choose to walk away).

Outsourcing to a lawyer is a tactic sometimes used. The lawyer will charge an hourly fee rather than commission. However, from an existing landowner's point of view, being approached by a lawyer is an instant alert that something is up. I have been approached myself and just say, I want to talk to the buyer direct please.

The other option is to use an external real estate agency for acquisitions. That may help keep your anonymity (if that is important) but also could put the potential vendor off (especially if they are approached by realtors all the time). You can never really control what the agent says either and they may not be prepared to hustle over the long term, compared to someone you have involved in-house.

Dealing with a commercial land owner is different from a residential home owner. The former may be more malleable to a business deal, like a joint venture or to share in the upside, so it's the quality of the person being able to articulate this that's important. However, they will also be more experienced at negotiating and quite quick to lawyer-up.

Therefore, cost is rarely a consideration in the acquisitions in-house versus outsource debate. Yes, you can save a commission but it's more about who can solicit the best deal out of a potentially unwilling or over-optimistic vendor.

[In a future post we will look at finding new development site strategies. There are various tactics and processes to find new development sites – going through listings in a disciplined focused manner every day, door knocking & cold calling land owners, approaching other developers, utilising ones networks. And you can either do it yourself, hire someone inhouse or utilise independent contractors / buyers agents who do this for a living (sometimes they are newbie developers who can't quite follow through and do the whole project themselves yet).]

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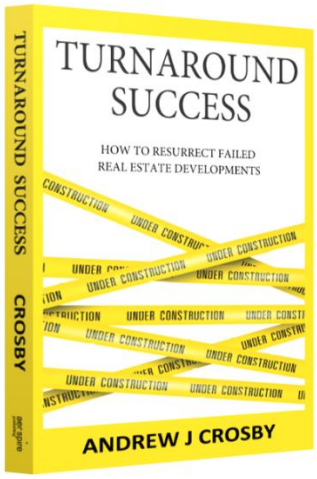

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Inhouse or Outsource Series #4: Project Management May 29, 2025

Inhouse or Outsource Series #4: Project Management

Deciding whether to in-house or outsource project management is a no brainer from my point of view. Just don't outsource! The cost is irrelevant (although outsourcing is likely to be more expensive). This is where I stop even pretending to be objective. Really —don't do it. I'll tell you why.

We should probably take a step back and define what I call 'project management'. The project manager is the person responsible for the coordination between the main building contractor, the civil contractor, the architect, the engineers, the cost estimators and all the other design and construction related consultants. Sometimes on complicated projects it may be just the design aspects — and that person might be called the design manager.

A project manager who also looks after marketing, sales and leasing, overall budgets and feasibilities and directly reports to the developer is usually called a development manager or a project director. Occasionally if there are multiple projects, they might be called a program director. For the purposes of this discussion, whether it's a project manager, design manager, development manager, project director or program director it all means 'project management' to me and I have the same narrow point of view: in-house it.

To explain my vehement position a little more, let me take you through a couple of very personal real-life examples. A little bit of background. I have hired, worked with and fired numerous project management companies on residential and commercial projects. I have also been hired to replace external project/development managers.

In one example, the key problem that existed with the external project management company was a lack of communication. The developer client, my employer, liked to challenge people on their work — both the *what* and *how* it was being done. Relaying bad news was not easy. For an external company, bringing the bad news was next to impossible. Their reporting glossed over important risks and the true financial situation had not been uncovered by the external project management company. They themselves had relied too much on the advice of their consultants. So poor communication, relying on advice at face value and a lack of uncovering the real situation brought together their demise. To be fair, that project management company did do some good work, but their job was made untenable by being on the outside.

Early on in my career, I was the developer's representative for two commercial office projects. As an in-house developer rep, my job was to make sure the tenants, who had agreed to take on leasable space, got what they had signed up to. So I started out by attending project control group meetings ran by an external project management company. Over the next few months I learned that, essentially, all the project management company would do is push paper.[1] They would receive variation claims from the contractor, send them to me to approve, then write them up and send back to the contractor. I had to either make the decisions or get my boss to. Then the project management company carefully disclaimed who made the decisions in their reports. It got ridiculous; they couldn't make a decision on anything. But we were paying them

for expert decision-making advice! It was even a struggle to get them to query variations and contest them with the contractor. Look, not all project management companies are this complacent, but this was a big company in a busy market. They had juniors at the coal face who frankly had no right to be there. To improve the situation we asked for seniors to be present. The occasional visit from a senior, often a different person didn't work out much better. At the time we persisted with the project management agreement, but in retrospect I would have removed them and done it myself. I practically was anyway.

Fast forward 15 years and, once again, I am attending a project control group meeting with (someone help me!) two project managers from different project management companies. There was one solely managing the civil construction and one managing the overall build, including the other project manager. This project was a failed 100-plus home development, already once resurrected and unfortunately failing again. Some of the situations were farcical.

One of the first issues arose when the project manager responsible for the overall build told me in no uncertain terms that he couldn't get the other project manager (managing the civil works) to do what he needed. The project needed close civil and house build coordination. Their relationship (and therefore communication) with each other had broken down and neither took responsibility for decisions. Thus, I wound back the project manager's role to just concentrate on the house build. As the newly appointed internal client-side development manager, I would sort out the coordination.

Then, on the house build, which was delayed, the project manager showed me a trail of paper without clear decisions regarding builders' time extension requests that had caused further delays. He blamed lack of response from the developer (my boss). I investigated and found the project manager had failed to adequately describe the reasons for any time extension. The developer has not been presented with the right information to make the decision. And the project manager had not taken it upon themselves to make a recommendation nor issue a formal instruction. They said the usual things like *"that's not my role"*. Thus, I immediately made it clear it was their role. As developer we would abide by the project managers' decisions and we gave them our full trust and contractual commitment. That still didn't work. To top it off, the project manager said they were spending more than the hourly time amount allotted to this job and needed more money. That's the last thing you want to hear. A useless project manager is now going to cost you more money because they couldn't budget for your project correctly! I instantly removed a whole heap of duties from the project manager.[2] They eventually quit, and we dealt with the builder direct. It was initially painful, as the project and the builder were haemorrhaging money, but necessary. Eventually it was worthwhile.

Later, on the civil infrastructure build, the meetings got really interesting. Every two weeks there was a new project manager! This civil project management company had massive staffing issues. I requested the that the director of the company send their most senior project manager[3] to attend all meetings to at least provide some consistency. That only partially helped the issue as the juniors kept coming and going. A consistent approach was never achieved. And then it got worse. When looking at a monthly progress claim from the civil contractor, my heart began to flutter. There had been a whole heap of urgent variations approved, by me on the spot, in the last few meetings. These were shown on the monthly progress claim but the cost to complete had not changed. Something seemed wrong. However, I wasn't qualified to figure it out.[4] Weeks later, after relentlessly querying the bank's quantity surveyor (who signed everything off before the bank would lend us the money each month to pay the contractor), the project management company, the civil contractor, applying

financial forensics and compiling a report as big as this book, I had it sorted. On a $5 million civil construction contract we were $3 million over budget. It had accumulated over time and the developer and bank were none the wiser. I disclosed the situation and some arduous bank meetings ensued. It was grim.

In the end I had to retain the project management company as the specialist engineering they were also contracted for was too far through to replace them. But, to help clean up, I hired another project manager to look after that project manager. Yes, he was external, but in this situation, I told everyone that if he made a call, assume that I had said it. Basically, I absolved the project manager of all liability, just to get things double checked and done. It was a short-term fix. It worked, at a financial cost, to get this project completed without further financial deterioration.

On another development, the developer was sold the services of a senior project manager. When I arrived to take overall control, it was juniors doing the work. I had learned so much about gaining the final council signoff (not because I wanted to but because that project manager was also no good) that I essentially became this junior project manager's teacher. They were fresh from overseas and their superiors did not have enough oversight. My words of warning: in a resource constrained market you might not be getting the service you are paying for and not know until it is too late.

And on yet another project I discovered the project manager had a conflict of interest. We were struggling to get our final council sign off, so I told them to pressure the local authority. To us we couldn't settle millions of dollars' worth of completed sections. Some had sunset dates[5] expiring very soon, meaning we were close to losing those sales altogether. The project manager though believed any pressure they applied would hurt their relationship with council and would affect their ability to get things done with their other clients. A developer typically does not care about the project manager's other clients! I had to take on that part of the project manager's role: influencing council to deliver our consents. I also had other projects that I did not want council turning a blind eye to should I pressure them too hard. So I just pressured them politely, but every single day for about two months. This simply demonstrates when project management is in-house, people naturally act more in the client's (their employer's) interest.

All those and I still have plenty more for another book. The fundamental reason why you shouldn't outsource project management is that many developers, like me, are not typically good clients. Communicating risk is difficult and if something goes wrong the project manager is always running scared of being the scapegoat. That means external project managers are reluctant to make decisions. But it's decisions that the developer is hiring them to do. Therefore, hiring internally (in-housing project management) at least breaks down those barriers. An employee should be better at full disclosure of the potential issues than an external project management company will be (as the employee has typically less chance of being replaced). Although this gets harder in larger organizations with hierarchical management levels.[6] Things change in the development world, and it's easy for the developer to be thinking in one direction and the project manager moving off into another, especially at the design stage. Internalization improves control, understanding and is more elastic to change.

I might be persuaded otherwise on the occasion where a project that has failed needs specialized expertise that cannot be hired in-house. Then you might be forced to use an external project management company. The advice in this case is that you still manage them more closely than you would normally think necessary.

If you simply can't directly employ project management, then an independent contractor who is working exclusively for you is the next best solution. So long as they have a direct line to the final decision makers, without contractual issues confusing the scene.

The more times I re-read and edit this chapter the more it sounds like there is a market gap for a decent project management company! The decision between in-housing or outsourcing project management is really a risk adjusted one. Err on the side of caution and what gives you maximum control with minimum risk. Double down on the caution if your project still has very curly aspects to navigate.

Henry Ford is often quoted as saying, *"Nothing is particularly hard if you divide it into small jobs."* This is the key when deciding to bring functions inside or keep external. Understand what is currently being delivered in its entirety, price each individual piece, price the management of those pieces and consider the risks along the way. Then you can make an inhouse or outsource decision.

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[1] I'm sure they would say otherwise.

[2] There are always two sides to a story. If I was to generously oblige them with a defence, the construction contract wasn't set up correctly in the first place, before they were engaged.

[3] I threatened it had to be the director, but he managed to twist out of that one.

[4] At least when I first encountered the problem. I was an expert by the end!

[5] A sunset date is a date in the contract which the developer commits to having a milestone complete, in this case, title to the land. If the sunset date is missed, then the purchaser has the option to cancel the contract — not particularly great in a declining market.

[6] Especially if there is a poor culture where upper management seeks to absolve themselves of responsibility.

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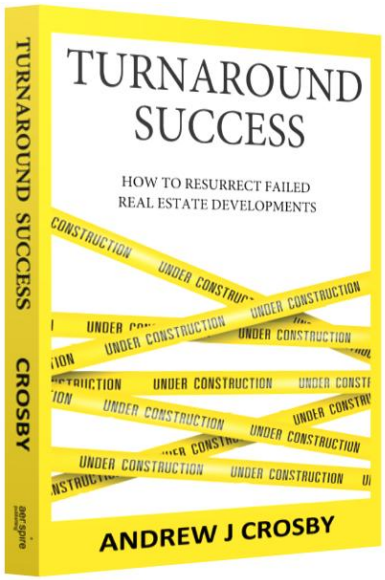

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Inhouse or Outsource Series #3: Sales & Leasing May 27, 2025

Inhouse or Outsource Series #3: Sales & Leasing

A number of developer clients over the last 12 months have asked me about bringing the sales team in-house. It's an interesting topic, so here is my experience doing residential sales just about every way thought possible.

If you have to sell or lease anything as part of your development project then you will come across a little line item called commission. Depending where you are in the world this can run as high as 6% of gross sales or 15 to 20% of the first year's rental. It might even be higher if you are selling via some sort of pooled investment scheme. This is a lot of money and is something to seriously consider in-housing to improve development project profit. However, savings can be eroded if slow sales or lower sale prices result. When you are looking at a sales commission of 3%, hiring internally and paying them 1% seems appealing. But the cost must be compared to the potential issues. Weigh up the factors that concern:

- Managing a sales and leasing team
- Commission
- Motivation
- Negotiation and hustling
- Attracting and keeping the right talent
- Sales back office
- Sales channels

Managing a Sales and Leasing Team

Managing a sales team can be challenging. You have one or more emotional, living on the seat of their pants type individuals who go all out for the mighty commission. They are a different breed to the standard salaried employee and that often comes with higher maintenance. If you in-house, then look to an old experienced head to keep themselves and the team together. There are also legal and professional association regulations, all sorts of liability issues and accompanying paperwork that need to be considered.

Commission

Although you are paying an agency say 4%, the actual agent may only personally make 1.5% to 2% of that commission. The rest goes to head office. Remember that also includes overheads like administration, marketing support, office space that internally you will need to provide in one form or the other. So the true saving is not a drop from 4% to 1%, but somewhere in between.

Motivation

If you in-house, it is much easier to match commission to motivation. You can offer bonuses to move certain types of product. Or you could have a graduated commission structure that suits your project (as opposed to the external agency).

Negotiation and Hustling

External real estate agents spend a lot of their time pitching and hustling for listings. They are really in the listing business, selling to vendors as much as to buyers. Internal sales agents don't need to do this as they have the product provided for them to sell. External agents are constantly negotiating with vendors to get the listing and then to get the price down, and with sellers to get them interested and get the price up. Hot markets might mean more listings but there are also more competing real estate agents. Competition also sharpens an external agent.

Internal sales consultants are often given a price list and told to sell from it. In hot markets internal sales people become order takers. If the market stays buoyant for long enough internal sales consultants can lose their drive. The money is still coming in and they don't have to do a lot beyond turning up to claim it. Yes, internal sales consultants get to negotiate with buyers, but that doesn't create the same negotiating exposure that an external agent has. External agents are also often exposed to many different types of deals and sets of conditions, which they can draw from to seal future negotiations. Therefore a balanced internal team with plenty of practice in different (especially tough) markets is important, and so is the occasional injection of some fresh enthusiasm and external agency experience when hiring. Relevant training and a collaborative approach between internal sales consultants can also help keep everyone sharp.

Attracting and Keeping the Right Talent

You also don't want to attract order takers, or lazy agents wishing for an easy ride. You want them to have all the soft sales skills to influence and close. To attract the right talent you may need to provide a pipeline of product that will be sold, otherwise you will lose them if they see potential sales drying up and look to move elsewhere. You may also have to provide training and licensing, and access to industry events just like external agencies do so they stay relevant, up to speed and motivated.

Sales Back Office

If you don't have any sales agency expertise, then it may be wise sticking with an external sales agency that can provide back office sales support services for you (typically administration, like contract preparation as well as advertising and marketing). Although, if you are going to be producing all the marketing collateral using an external marketing agency, the back office will be less burdensome to in-house.

Sales Channels

For some development product types established agency sales channels are all important. For example, if you are developing an inner-city apartment project suited to offshore investors then using an external agency who specializes and has done this for many years would be sensible. An internalized sales team would have a lot to do to get up to speed, let alone get overseas. Unless, of course, you grabbed an entire experienced team and in-housed them.

For other products, sales channel relationships come down to the individual agent, who he or she knows in the marketplace and has their trust. For example, the industrial leasing broker who has been in the same area for 20 years and knows all the business owners (future lessees) like they are relatives.

One thing to question: are you gaining access to sales channels because of the individual or the real estate agency? If the individual, then you need to in-house that type of individual. If it's the

agency, then you need to create the resource and support they need to enter that channel. If that is too hard, then you should stick with the external agency.

In a flat or declining market, with an already failed project, and no prior experience in managing an internal sales team I suggest stick with external agents. If the market is hot, and the product practically sells itself, then in-housing might be preferable, especially if the in-house commission saving can instantly translate into a price reduction that speeds up sales velocity. But there is also a middle ground.

At the turn of the millennium, I was a manager developing terrace homes in up and coming city fringe suburbs. We had an established relationship with one agent (working for a boutique local real estate agency) who did all our selling. We wanted to bring him in-house. We already had a junior working in marketing who wanted to get into sales (to make the big commission!). Plus, we had spare administration capacity and for each project we would create the display suite and marketing using other specialists anyway. The agent didn't want to jeopardize his long-term aspirations though. For us, he was the talented go-getter that we must have. The win-win resolution was we would set up our own real estate agency and he would be a director of that and responsible for sales. We had a pipeline of projects and the theory was he could grow the agency to sell on behalf of others as well. Financially he would get paid a commission percentage comparable to what he was personally earning at the external agency. That reduced our commission costs. If there were new sales listings to unrelated parties, then we would get a cut of that as well. This arrangement worked well for both us and him for a couple of years.[1]

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[1] Ultimately though the head agent moved cities and the team was not advanced enough to operate without that agent, so it was dissolved. Although we had taken enough out of the relationship that does highlight a potential problem of being tied too much to a single agent.

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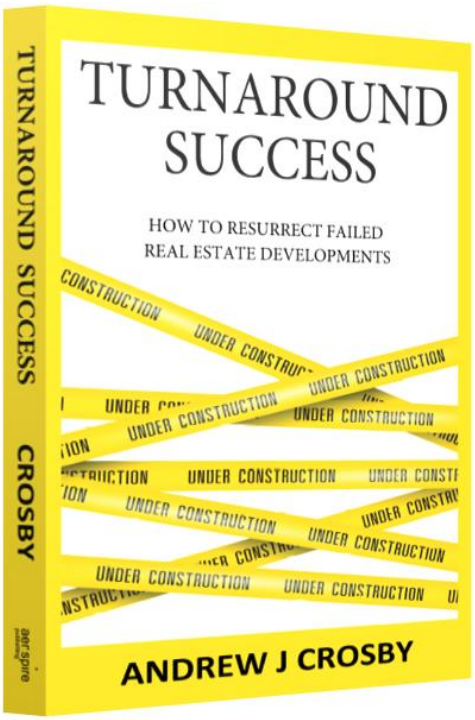

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Inhouse or Outsource Series #2: Construction May 26, 2025

Inhouse or Outsource Series #2: Construction

Right now I am organizing a design build vertical construction retail project, in the middle of a design build civils project (yes they do exist!), and recently was looking at hiring subbies direct versus main contractors on a luxury apartment project. Prior to that I ran a vertically integrated development and construction company doing 200 to 400 mult-unit homes a year. AND over the last five months on behalf of construction company and developer clients have looked at hundreds of CV's and have interviewed dozens of Project Managers, Site Managers, Commercial Managers, Quantity Surveyors – and all the key roles that comprise 'construction' – so have a few different perspectives on this subject.

BUT back in the day the first development company I worked for was a private developer who had started out (as many do) by renovating individual homes and flipping them. Although he was an ex-real estate agent he now acted as main contractor, directly employing subcontractors. As his company grew and he moved into multiple-dwelling new build terrace projects he hired a construction manager, then two of them, to do all the management of the building work. This is about the time I came aboard. The next project was a larger and more complicated apartment project and the decision was made to use an external main contractor. Over the next few years the projects became larger and more complex and there was no longer any work for in-house construction managers as everything was done externally.

This is a common pathway for a private developer — start out building yourself and then pass on construction to external main contractors. This is not the only journey though. Some developers go down the spec (as in speculative) builder route. Buying land or developed sections with a construction team in-house and then selling completed homes, shops, offices (or whatever development product). Others grow into large construction companies and then diversify into development companies, becoming a similar one-stop shop.

Once again, it does depend how you are currently set up. Are you a developer or a developer/builder? To explain the pros and cons of in-housing versus outsourcing construction, let's take the example where you are a developer who intends to also adopt the main contractor role — i.e. in-housing construction.

Essentially you need to set up a construction business. The most important first step is to hire someone who has experience in running a construction business! The business will require systems and processes. At a minimum you will need to fill the roles of a quantity surveyor/cost estimator and a construction manager. Maybe they can be the same person if it's a small project. Preferably their experience includes the type/scale/value of project you are taking on. You might need a site foreman (the hands-on site guy or gal) and an assistant or two. That's the minimum for a small project (like a 10-unit terrace home development). If it's a large project you can be talking about dozens of directly employed staff. Significant back office financial management resource will also be required. The question becomes do you have the fortitude to go down this track?

To help you answer that you will need to weigh up the reward versus risk dynamics. And by dynamics, I mean the plethora of issues that can easily sink your new construction business

and sink your project. You haven't inherited this project because the previous contractor went broke, have you?

The main reward is obvious. You grab the contractor's profit margin. This could be anywhere from 4% to 15% of the total construction cost. All the costs to run the construction business, including salaries and office expenses, are typically paid by you anyway. Whether it's in-house cost as described above or passed on to you in a tender via the *Preliminaries and General* expense item. There might be a small percentage saving here as well if you in-house, albeit for a single project you will have initial set-up costs to first absorb.

Other benefits are control, flexibility and legal simplicity. I have grouped these together because they all act in unity. Using an external main contractor means a main construction contract. A construction contract creates an adversarial relationship. Changes and mistakes can be painful, expensive and litigious. If you build yourself, you don't have to endure such a relationship. It's not like you are going to charge yourself an exorbitant extension of time claim.

On the other hand, the risks of in-housing construction are numerous. Firstly, let's look at the risks that are a function of company-wide experience (or lack thereof):

- *Will the bank let you do it?* Your funding line might be contingent on getting a fixed price contract from a reputable contractor, a performance bond and even a tripartite agreement.[1]
- *Staff turnover.* Project managers, construction managers and site foreman become recruitment target commodities when construction markets are buoyant. If you have created a construction business for a one-off project, then near the end of the project you need to make sure you retain your key staff. Six months out from completion they will be looking for their next gig.
- *Pricing mistakes.* In a new company one of the biggest risks is incorrectly pricing a job. The person doing the cost estimating is new. Subcontractor and supplier relationships are new — trust is yet to be established. It is more difficult to simply ring someone up and get an indicative price. With all the new business systems being set up, the business focus may not yet be on pricing accuracy. Further, to make it all work you might suffer from optimism bias.[2] This issue hit a construction company specifically set up to work on a development I was involved in by our joint venture finance partner.[3] They were optimistic on their pricing. It went downhill from day one, including miscalculating quantities and appointing site management without the requisite experience. Effectively the development made money, but the contractor went broke, on their first project.
- *Subcontractor and supplier management.* Beyond all the skills, systems and processes required to manage a construction project an established company has trusted enduring relationships, sometimes through thick and thin market conditions. History shows whose pricing you can trust, or who is variation hungry. You know who will maintain capacity for your job and who can return a quick but reliable subcontractor tender price. When the going gets tough during, you can appreciate who will stick it out, who will absorb price inflation and who will solve problems on their own. Similarly, the subcontractor also has trust in the main contractor, that they will get paid on time and change requests will be dealt with justly. When setting up a construction business from the start, none of this exists. Even if the people you hire say they bring all these subcontractor relationships with them, the very fact it is a new entity will dilute that

trust. This can easily mean you will pay more for work and encounter more teething problems. Yet another area where a very experienced person at running a construction company is paramount — don't promote someone into this role flippantly. Consider an old head on broad shoulders.

- *Cashflow management*. If you hire a main contractor, then you will have one construction related payment claim to process each month. You will have an estimated cashflow and know approximately what that amount should be. If you run construction management in-house then you take on 20 to 50 new suppliers, each with their own payment claim, complete with variations and mistakes. You must vet each claim when you pay them, and you might have to pay them out of sync with your funding. Software will help, but cashflow management is an important and difficult aspect of running construction.

Then there are the risks that a main contractor takes on that a developer can (try to) contractually opt out of. These present reasons to consider outsourcing construction if you already build in-house:

- *Unfixed price*. If you are a developer, typically you strive for a fixed price from your contractor. If you are the developer/contractor then you will wear any cost inflation, pricing mistakes, onsite measurement mistakes and the like. You might be able to fix some of the prices with your subcontractors down the line, but that is not always possible.
- *Legislation*. Building codes change. Changes need to be interpreted and implemented. This can happen mid-job. You may find that a new ruling means inspectors look at details differently. One of our contractors had this example, overnight, even with a building consent stamped, the inspector decided a bracing detail needed to be modified. It required a lot of rework (and dollars) from the main contractor (who did try and blame the engineer's inspections), but at the end of the day it was the main contractor's responsibility.
- *Cost inflation*. This deserves its own bullet point. When the market is busy costs can rise quite rapidly. If you are a developer with a fixed price contract, or a schedule that has fixed rates for each element, then you are contractually protected, for the entire duration of the contract. For the main contractor, suppliers may only hold pricing for a few months. Subcontractors, even if they have fixed the price, may be prepared to just walk away from their commitment and leave nothing worth you legally pursuing. Now, occasionally, it works the other way. For example, a main contractor acquaintance priced a government prison job and agreed to a fixed price. This was just before the global financial crisis. During the three-year project, their input costs from primarily unfixed subcontractors steadily reduced (there wasn't a lot of other work on). The government price was fixed so the contractor's margin increased.
- *Liability*. As the main contractor you are usually the first port of call when something goes wrong. At least when you are the developer only, you can (try to) blame the builder. Contractors have increasingly complex and stringent 'health and safety' obligations. There are also practical items to deal with like contract works insurance (in case construction catches on fire), employee safety and site security.

The other main reason why you might outsource construction is when you lack the experience in the type of project you are about to embark on. If you are an experienced residential home builder, but now grab the opportunity to save a commercial office project, the skill base in your existing team may not suit. Or the project may simply be too large for your in-house construction team.

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[1] A tripartite agreement provides the bank with step-in rights to finish the project if the contractor or developer fails. A good source of failed projects for you to pick up!

[2] You have embarked on setting up a construction business for this project after all, so it must work!

[3] Although the intention was to build other clients' projects and grow a successful construction business.

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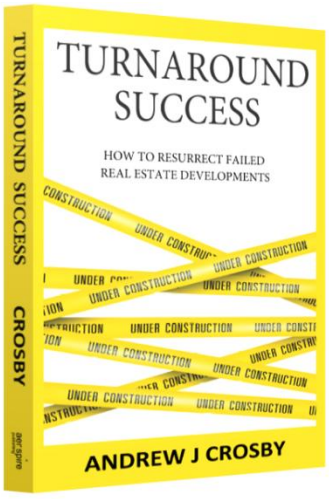

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Inhouse or Outsource Series #1: Architectural Design May 23, 2025

Inhouse or Outsource Series #1: Architectural Design

Over the years, I have worked in three different developer design environments:

1. Architectural design and documentation completed by external consultants.
2. Architectural design and documentation completed by internal staff.
3. A mix of both, including freelance contractors.

The first thing to consider is when it is a one-off project. Unless it is a multi-year development, there is probably little point in hiring and managing an in-house architectural design team. There are set-up costs and your ability to attract good staff (who want a career path, not a one off) will be severely hampered. The possible exception is a potential prize-winning project — where working on it is an attractive status symbol on an employee's résumé. However, even in that situation you would probably look to contract out to individuals for a fixed term than to in-house them.[1]

Assuming the project is of sufficient size or nature that recruitment won't be a problem, then it's a relatively simple equation. First calculate these internal costs:

- Salary and potential bonuses, including annual increases
- Office space
- Software licensing and requirements
- Managing the employee — is this you? Do you have time?
- All the admin, HR and employment law

Then, compare those costs to what an external architectural firm will charge you. More than likely you will save money — if you can recruit the right people. However, there are intangible qualities and pitfalls that need careful consideration.

- *Capability.* Can the people you hire undertake all the architecture that is required? From concept to developed design to specifications to working drawing documentation and BIM modeling. In a professional architectural practice, the concept is done by a senior architect, the developed design by an associate and the working drawings by juniors or specialist CAD technicians (i.e. they may not even be architects). An option is to hire external architects for conceptual design and in-house consent and working drawings.
- *Control*. You lose control by outsourcing and gain it by in-housing. Being able to keep tabs on costs and delivery program is another reason to in-house consent and working drawings.
- *Creativity.* Your project is not likely to attract the sort of creative candidate who is best suited to a high-end architectural practice. This doesn't matter if your product is relatively benign but can become important if your product depends on spectacular design.

- *Mentor.* Are you, as developer, a closet architect? Many think they are. Do you have the flair and artistic inclination to drive a somewhat less creative architectural employee to the result you want? If so, then you may not need the all-out creative type in the first place. Be realistic about your abilities though!
- *Network*. An architectural practice has established relationships with engineers, town planners and other consultants that you may want to tap into. Especially if your project is in a new market where you don't have those contacts yourself.
- *Capacity*. Often touted are the benefits of hiring an architectural firm because they bring a wealth of experience, across disciplines and across people, to your job. In my experience, it is the individuals that are of prime importance and any beneficial cross-fertilization of ideas is secondary. However, on several occasions, I have had a situation requiring a specialist and it was easy for the architectural practice to throw another expert onto that problem. On one job the third-party landscape architect had gone AWOL, so we asked the current architectural practice if they could oblige with landscape signoff inspections.
- *Quality*. With an inhouse architectural resource you must make sure you have suitably experienced managers to check and double check drawings. You also must think about the capability of in-house staff to do onsite construction inspections.
- *Fees.* External architect's fees may be exorbitant, but you should also be able to obtain a fixed fee agreement, capping costs. And from there on they will be under pressure to perform to meet your budget. The corollary though, is if they are over their own internal budget, they may not be throwing the right resource onto your job in the latter stages.
- *Insurance and liability*. Running architecture in-house means you are responsible for the output of your architectural staff. If you use an external firm, then they have the responsibility and the professional indemnity insurance to go with it. In practice though, as developer, you will be one of the last ones holding the baby. It is often difficult getting much out of other's professional insurance without an expensive lengthy legal battle.

The above scrutiny also applies to other design professions, like engineers. But liability is the main reason why I wouldn't consider in-housing engineering functions. For items like fire, acoustic, structural, civil infrastructure, services, surveying and geotechnical engineering the inherited liability — and lack of ongoing work — makes it less likely to be worth in-housing. Of course, if your background is engineering (so you know how to deal with the risks), and the work is substantial enough to justify full-time internal resource, then by all means consider it.

Town planning is a design profession where it might be cost effective to in-house this resource, but you would have to be a large organization or project to justify dedicated town planning staff (the same applies to most specialist engineering functions). It's unlikely you can fill someone's day, every day, on a single project. In addition, it may be counter-productive. Often in the eyes of the people you are trying to convince to get zoning changes or planning dispensations, an external consultant will appear more at arm's-length. External town planners also absorb valuable experience from all their different clients' work. Since they are dealing with multiple projects they can (usually) establish more consistent relationships with local authority planning departments.

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[1] Although that gets confusing in reality, as many contractors are essentially employees if this is their only client.

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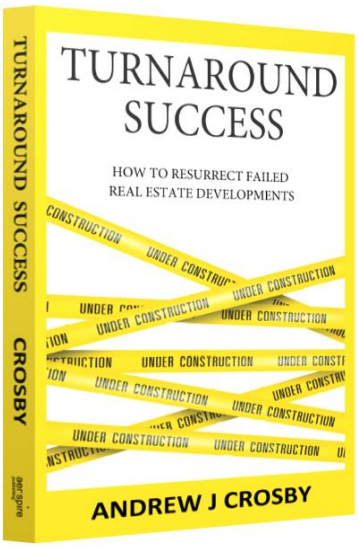

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Effective Real Estate Neighbourhood April 1, 2025

Effective Real Estate Neighbourhood

We introduce the concept of the *effective real estate neighbourhood*. This neighbourhood can be different to established political, postcode or school boundaries. It is an area or collection of areas which is very comparable (as far as real estate attractiveness to your target market) to your site's specific location. Using your effective real estate neighbourhood prevents you assuming a target market and buyer profile that actually does not see your location as being *in the neighbourhood*.

A whole town may represent the effective real estate neighbourhood if all the houses are very similar and there are few features that differentiate one part of town from another. In contrast, if your site is located in a gentrifying urban area on the fringe of a city centre — where everything is changing from old houses to new terraces — then your effective real estate neighbourhood may include all the city fringe areas that are experiencing similar gentrification. For some locations the effective real estate neighbourhood may be difficult to define, especially if there are no dominant characteristics. However, the deeper you dig and the wider perspectives you take you will find some discernible comparators to define your boundary. For example, if your site is in a location where it changes from a mixture of apartments and small homes to larger leafy streets and large homes, but all in the same school zone, this could be an indicator to look at other parts of surrounding suburbs that have similar variability in the same quality school zone. You may have to accept that your neighbourhood has so much variability that you need to consider a range of buyer profiles.

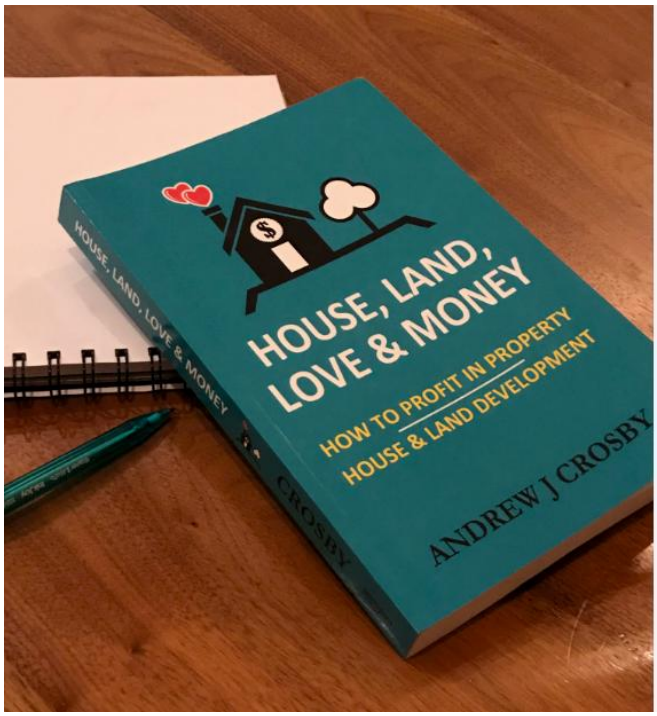
You may also discover that your effective neighbourhood is not one contiguous area. If your site's location has no particular unique characteristics from other similar areas around town, this may point to your effective real estate neighbourhood being a collection of separate but similar areas. If your site is a *greenfield* on the edge of town where everything is new and next to a shopping centre then you may have to compare yourself to other new greenfield locations near city limits with similar shopping amenity and socio-economic populations.

Different factors will help you define your effective real estate neighbourhood:

- Are you in a particular school zone or combination of school zones?
- What is the defining geography, like hills or a river, that physically define the neighbourhood?
- Are you on the sunny slopes or the shady ones?
- Do you have views equal to others in your neighbourhood or are you in a gully?
- How do transport links, like the motorway or train tracks, affect the neighbourhood?
- Is your site on the right side of the train tracks?

- What is the proximity to key amenities like a park, a shopping centre, a high street or the central city?
- Are you close to the amenity or are you at the edge of your neighbourhood?
- Is your site surrounded by expensive homes or cheaper ones?
- Are the homes all very similar near your location or is it highly variable with a mixture of apartments and homes?
- Are you surrounded by leafy green streets lined with trees or is your street more urban?
- Are you surrounded by commercial or light industrial compared to others?
- Is your site in an established older area, a new area or a mix of both?
- Do the same planning and zoning opportunities exist for your site compared with your effective neighbourhood?
- Are there significant negatives like a busy intersection or rundown neighbouring streets?
- Are there similar demographic profiles comparably strong in other areas which you may need to include?

The effective real estate neighbourhood is a conceptual construct, so you think about your target market in terms other than just those people who want to live in your suburb. You are looking to identify the potential people who would be interested in your location, and they may have alternative options to your suburb, or never previously considered your suburb. Demographic profiles and trends help you to refine your boundaries.



The ‘Con’ tract March 19, 2025

The ‘Con’ tract

The Conditional Purchase Contract

Now that you have found your house and land development site you need to make an offer to buy it. The objective is to tie up the property before you spend too much time or money investigating it in great detail. To do this you want to include a due diligence condition in your offer that allows you a period of time to undertake detailed investigations and gives you the option to proceed with the purchase without the seller being able to sell to someone else.

The due diligence clause in the sales and purchase contract will be easier to achieve in a soft market where the seller may be more willing to give a free look period. It is also more common in a commercial transaction (like vacant land or a large property with an alternative use) than in a residential home transaction. In a hot market you may have to compete at auction where you won’t be able to secure any free look period at all. In a tender some developer buyers will write in a conditional due diligence period. Others will purposely bid high to secure the opportunity and still retain the option to pull out if they can’t make the numbers stack.

You have to put a price on your offer so you will be relying on rules of thumb and any detailed analysis you have managed to cobble together without spending too much time or money. For the novice it will be difficult to establish what price you should pay, so most of your due diligence will have to occur before you put a contract on the property. Sure you can put any price down, as you have not committed to the purchase simply by signing a conditional contract; however, it is a dubious strategy to put a high price down in order to secure the contract and then try and go back to the seller and try to reduce the price down. If your due diligence uncovers nothing significantly negative you have no argument to stand on. The seller may also be doing their own due diligence on you at the same time. They may want confirmation that you have access to the funds to settle before committing to providing you with a due diligence period that effectively ties up the property.

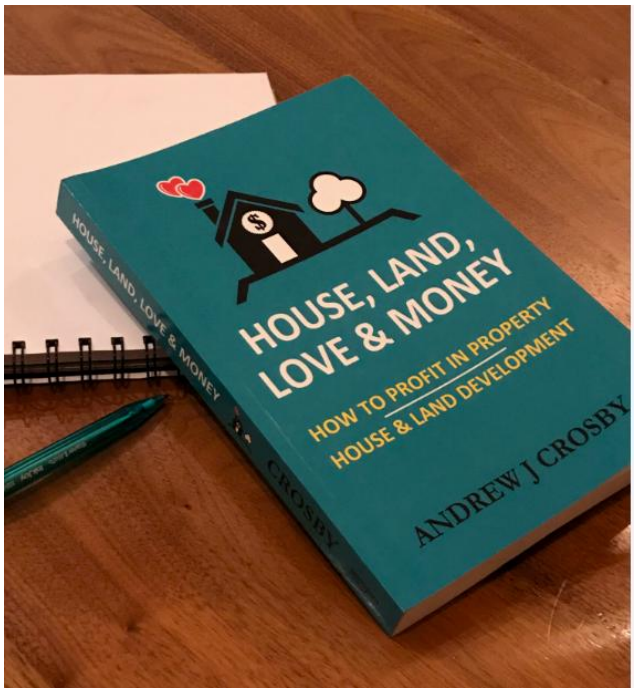
As you gain negotiating experience you may want to make purchase agreements more to your advantage by inserting other developer-friendly conditions. One is a conditional period in the contract where you attempt to secure milestones (such as a zoning change) before you are obliged to settle the property. You can put any condition in your offer, but, of course, the seller does not have to accept it. Unless you offer a substantial price premium or the market is depressed you will likely not get away with some of the more aggressive conditions. Unfortunately there is often no shortage of buyers who make decisions on less information, make more aggressive assumptions of where the market is heading or simply have the luxury of lower costs because they build themselves or have a cheap line of credit. When the market is hot, many will happily overpay for a site without significant due diligence and when it is cold, no one else will be interested. Similarly, when the market is hot, finance will be easier and when it is cold, you may never find anyone who will lend.

Nonetheless, there are many ways to structure a deal. Here are some aspirational conditions to consider when negotiating to purchase:

- Long due diligence ‘free look’ period

- Settlement of purchase price based on buyer achieving milestone conditions (like planning consent, presales or individual section titles)
- Minimal deposit or staged deposits
- Low purchase price plus profit share
- Long period to settle/close, or staged payments over time
- Access to the site prior to settlement to undertake invasive due diligence (for example, drilling holes for geotechnical analysis)
- Access to the site prior to settlement to undertake works. This is commonly called builders terms, where you don't have to pay for the site until you have completed the homes you intend to sell
- Purchase price based on seller achieving milestone conditions (like achieving zoning or individual section titles on behalf of the buyer)
- Purchase price to be discounted if buyer discovers issues between unconditional period and settlement (like ground conditions which cannot yet be quantified).

Check out Xpect Property for Development Management on request.



Friends with benefits... March 4, 2025

Friends with benefits...

Benefits Marketing in Property Development

This is not a sales and marketing real estate 101 book, as there are scores (times a thousand) of considerations for each different product type in each different market. However, let's spend a little time looking at benefits marketing. It's easy to list all the features of your property. It takes more brain power to conceive and describe the benefits. The difference between benefits and features is not always that obvious. It often gets confused and to be fair they can start to merge into one another. One definition is that a feature is a thing and a benefit is what that thing allows you to do. The more emotional, valuable and topical the benefit, the greater the marketing impact. The degree to which you spell out the benefit should be based on not treating the recipient of the marketing like an idiot and stating the obvious, but creatively explaining how it will 'benefit' them.

For example, you could point out *"this house has a second living room."* That's a great feature for many families. Going further you could say *"this house has a second living room with enough space for kids to play with all their toys."* That is a feature within a feature and alludes to a benefit. But what about *"escape your children on those wet Sundays. A separate living area for family growth and peaceful solitude."* That is unquestionably describing a benefit.

Dispelling people's fears can help you formulate benefits. Instead of *"close to the local primary school"* try *"no roads to cross on the short distance to the local primary school."* Rather than just *"secure second level apartment"* what about adding *"lock and leave, secure at home, safe while traveling lifestyle."*

Benefits can be ascribed to people's desires, aspirations and enhancing their self-image. From *"large flat backyard"* to *"the yard your neighbors' kids will want to play in."* Alternatively, *"so much space your friends will be impressed during summer barbeques whilst your neighbors hide their envy." "Fabulous city view"* becomes *"contemplate achieving your next goal, peering into the city lights."* This works at a corporate image level as well. Don't merely sell *"the five-star restaurant in the office foyer"*, sell *"the luxurious enclave to impress during your most important client meetings."*

Topical considerations might be the latest fad or the result of fear mongering (real or perceived) in the media. *"R2.7 insulation"* becomes your peer pressured civic duty: *"Do your part for climate change, in a green certified thermally efficient home."*

When you discuss value, investments and costs you can pitch it two ways. Take *"best value in town"* for instance. One, embrace the future potential positively like *"your new neighbors have experienced 300% capital gain over the last thirty years, but your new house boasts even higher quality construction."* Or two, frame in terms of the psychologically more powerful loss aversion (fear of loss): *"this suburb has never gone down in value over a five-year period."*

Benefits also come in the form of the real estate business problems your project solves. *"50,000 square feet for lease"* — an admirable feature (but who would know), transforms to *"we provide the largest contiguous office space floor plate in the CBD, vitally important for large companies wanting to promote internal collaboration."*

I think by now you get the picture. And that's a good way of thinking about it. Paint a picture of the benefit in the mind's eye of your buyer or lessee.

CHECK OUT Xpectproperty.com and our CV!

Sales Incentives – part 01 August 31, 2024

Sales Incentives – part 01

I recently took the mickey out of developers selling cars….. I mean houses. I have earned the right to as I have been in those discussions and if anyone cares to remember I publicly launched and advertised the most elaborate incentive package the New Zealand market ever had. It went something like this.

10k for furniture
Mortgage paid for six months
5k holiday.

But of course our purchase price covered it. I did this to explain to a 'select' group of people, what a complete waste of time these incentives are. You want it sold, just reduce the price. Buyers are not that thick, to think they are getting a free car -I hope. Banks don't really want you to load up your mortgage with a vehicle. Valuers won't take the bait. Timeshare tactics are so 1985.

Simply deduct the developers cost of the car from the purchase price to deduce the actual market value and offer them that for the house (assuming that is not still above market value). Then buy a used car. Here is some analysis. You are welcome!

Or am I misrepresenting the marketing trick of the century and doing these agents and developers a gross disservice?

		Fair Transaction but car slapped on the mortgage
House Market Value	$	670,000
Car Value	$	30,000
Purchase Price	$	700,000
		10k Good Deal for Buyer
House Market Value	$	670,000
Car Value	$	30,000
Car purchase in Bulk	*$*	*25,000*
Purchase Price	$	690,000
		Fair transaction for buyer, developer makes 5k
House Market Value	$	670,000
Car Value	$	30,000
Car purchase in Bulk	*$*	*25,000*
Purchase Price	$	700,000
		Buyer just paid 40k for a 30k car and slapped it on the mortgage
House Market Value	$	670,000
Car Value	$	30,000
Purchase Price	$	710,000

Northcote Projects August 5, 2024

Northcote Projects

When I started at the 'company' we were finishing off about 30 terrace homes on contract build, when I left we had almost completed another 120 terraces and apartments with another 40 ready to build vertical when the market was to pick up. That's the Northcote story.

Well actually I had another Northcote story. Once upon a time, at HNZ, I was the person responsible for trying to find a PPP development partner for the entire precinct. The issue was a big pipe was required and no one had the cash. And we literally couldn't give the opportunity away.

Fast forward over a decade and Northcote sure has pumped the homes in, courtesy of HLC and then KO and the rest of us who brought sites and dabbled with kiwibuild.

Learnings:

Design review panels (5 of them) and RC took 13 months for us on the apartments. That was red tape gone crazy. And council and KO not seeing eye to eye. What a cluster. And what a massive risk when the market changes abruptly. At least KO were favorable to renegotiate with, albeit the boat missed on the market and the govt first home equity share programmme.

Can sell a townhouse there all day long every day.

Better to price realistic on day one, especially if profit still results, rather than follow a market down -should one be allowed to do so.

Build to hold and rent out is a great downmarket strategy -should one be allowed to do so.

Put the joint owned access way in before going vertical. Yep it might need some repairs but makes everyones life on site easier.

Top floor apartments are the bomb for so many reasons. Sacrifice for a few stairs.

A million other things, you will just have to engage Xpect to find out!

Mahana Rd

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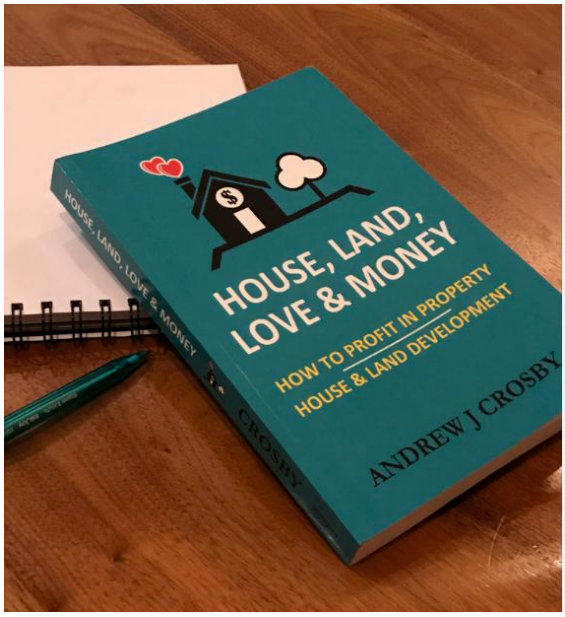
Render versus Reality May 9, 2024

Render versus Reality

From the book:



Artist's Impression

It used to be an actual artist would paint or draw an image in perspective of the development based on the plans that the architect would provide. Nowadays every architect has software that will generate a three dimensional render. Except for large firms with dedicated staff, the quality of these renders typically does not compare to firms who specialise in producing photo realistic renders. The very best 'artists' create images that look like professionally staged photographs — especially interior shots. The artist's impression renderings are crucial to help sell your product so put your best foot forward. The old 'a picture tells a thousand words' is never truer. To get an artist's rendering right takes some management as there is a number of issues to consider:

Exterior

- Prepare wireframe or quick block renders first so you can choose the best view angle for the render. Don't leave it to the architect or artist to choose this and don't proceed with the render until you have agreed the best angle. For a subdivision you will probably want to show a render of a streetscape profiling a couple of different house types close up. You may also consider doing a perspective of the entire development from above. If you are selling sections, without any house design, you still will want to evoke the emotion of what the development could look like when houses are actually built. By focusing on amenities, like a park, you can leave the houses in the background so you don't have to worry about detail you haven't actually designed.
- Include your agent as the perspective proceeds. Have them to comment on sales emotions invoked by the render.

- Cars, are they modern, current and match the target market?
- Do the people shown represent the aspirations of your potential buyer profile? Are there enough or too many? What are they wearing? What ethnicity are they? Are there any double ups (where the artist has cut and pasted a clone in different parts of the picture). Consider if you need people in the perspective as it is difficult to make people look realistic.
- Lighting. Is this to be a day shot or a night shot? Consider what time of day to get the best effect from sun shading for your development.
- What materials and colours has the artist used? Are they compatible with what you have planning permission for and what the architect has specified? Artist's perspectives are typically done before the architect has completed their specification detail. However, the rendering is what buyers believe they are getting, so in essence the artist's impression can trump the architect's plans if there is a discrepancy. You may find yourself selecting construction materials as part of the artist's perspective process rather than during the architectural developed design process.
- Use glazing to add interest by adding reflections or depth with furniture and people behind the windows.

Interior

- Choose the wireframe views before it is fully rendered. If you are on a tight budget consider just a kitchen and dining render. Other interior renders can include bathroom, living, bedroom, a combination view or even an angle from standing on a deck if the outlook from your development is a key selling feature.
- Are you going to have a view superimposed on shots where there is a window (requiring drone photography onsite)?
- Does the furniture and interior decoration match your likely buyer profiles? Be careful not to clutter small spaces so the effect of spaciousness is lost.
- Once again be careful about materials and finishes — are you really providing full height glazing? A continuous splashback across the entire kitchen wall? Intricately detailed lattice work on the stairs? A custom made integrated joinery unit?
- People are difficult to include without detracting from the shot, especially as they will be close up. Frame the render like a real life interior design photography shoot and be very selective on using people, if at all.

1000 Homes at Hobsonville April 25, 2024

1000 Homes at Hobsonville

In the space of a decade the company delivered over 1000 homes at Hobsonville Point. I was there for about six and a half of those years. This project being the last completed under my watch as CEO.

A few things to note when doing large blocks (a superlot) of homes at the same time – 50 to 100 units.

1. Think boutique. They don't all have to look the same. Small blocks designed to look like they evolved over time. Varied floor plans and aesthetics contribute not only to a more pleasing streetscape but it also comes in handy in softer markets to move unsold stock.

2. Think small. If you were designing your dream home, you would naturally focus on the external context – right? Where the sun hits, the view, the best outlook, outdoor living space etc. you would pay attention to every window- down to what you will see when looking from the kitchen sink. However when designing 100 of them, its very easy to focus inwards on the site plan-without explicitly addressing the context of each unit. But you must. The DM and designer needs to address external context on every single unit.

3. Think value. An end unit allows more windows- don't waste that opportunity with a 2 beddie, when you can now enable a 3 bed. Pay attention to the joal- the landscaping, the bin enclosures etc (albeit always an argument of cost versus function versus look)- for many this is their front door. And when doing inclusionary zoning -Axis Series they called it at Hobby- where buyers enter a lottery to effectively win 200k of equity – don't put those units in the best locations! You need to maximise value by placing the market rate units where they can command the highest price.

Forming Flat Bush April 25, 2024

Forming Flat Bush

This was a circa 130 site project that I took over project and development management in Flat Bush. About half under house construction and the other half under design and civil work.

The original contractor operated a modular/panelisation factory. They went bankrupt and just prior to me joining 5 smaller builders each on their own contract were appointed. Most of the houses under or about to start construction were sold, so the clock was ticking to complete and get titles and ccc.

So every second Tuesday I would rock up to six different bank qs/contractor progress/drawdown meetings. 5 house builders and one civil contractor.

The houses were pretty much identical, but how each builder treated the plans, the contract, variations, the programme, their subbies, me and my assistant was completely different. Massive learning experience on that front- in perfect real world test conditions. There were two other projects I was delivering at the same time, so I had live data points on 7 different house builders and 2 different civil contractors.

This project had significant and complex negotiations to take place on various fronts to reach settlement day and 224c. Council, purchasers, other land owners, watercare- you name it. Through persistence and persistence and persistence and collaboration we got there.

A lesson: You can save tens, hundreds, thousands of thousands, maybe even millions, and a whole heap of heartache if you do this one simple task before you start construction, after you have indicated who you intend to award contract to but before signing. Sit yourself, the architect, the builder and their site QS down and go through the plans like a workshop. If the builder wants anything changed (talking details, not design) get the architect to do it. Clarify all the niggly details and identify mistakes early. Nothing more expensive than blaming the plans once the project is coming out of the ground.

An ancedote: when thrusting under the main road to build the neighbors 800m long sewage pipe through their site (one of those negotiations!) on the first day the drill hit metal, deep below the road. Solid metal. Bang. A previous civil roading contractor had left the/a temporary steel trench protection sheilds underground! Ouch. Our civil contractor was a legend though and he could sort anything out.

Groovy housing April 25, 2024

Groovy housing

This project. The Grove, in Papakura, Auckland I took over development management/ project direction and a month later also project management (to improve builder to client communication) for 36 houses under construction and about 60 sites under civils and initial design/feasibility for a further 50 sites/homes to replace a temporary stormwater pond whilst council finished an adjacent wetland/stormwater management area.

One builder this time, steel frame. That eventually seemed to work ok. However, a build contract that was ineffectual so everything became a negotiation.

Strategic anecdotes:

When house sales dried up at the prices required, using a project marketing approach I took a micro approach. Individual homes were given to aggressive local agents, one per agent, each one staged and marketed in their own way and dissapated the staleness of the original campaign. That eventually worked.

Stage two, instead of preselling homes and land, we presold land only to smaller builders. At that market there was a little bit of positive arbitrage compared to hiring a main contractor and building ourselves. The resource consent was an integrated one so all the homes were designed to match the overall aesthetic of the development. What we supplied was the land with titles, with reserve contributions sorted and almost ready to lodge building consent plans- using timber construction to maximise the number of potential buyers. Ready to lodge – so they took on all the risk on the accuracy of the plans but could also adjust to suit their details and techniques. They all sold at good prices.

Learnings:
When I took over the project the conditions required to satisfy 224c was quite onerous but some sections had already been sold with sunsets. And the two no longer matched. I reckon I needed another six months!

The race was on and there was neighbors infrastructure agreement reneged on, a pumpstation to create, thrusting a water main half a mile down the road, getting agreement from parks on top of all the usual conditions. Lets just say Veolia got sick of me turning up to their offices!

The heat was on. I still can't believe it but we got 224c a week before the sunsets expired. Why is this important? Because since purchasing the sections the housing market had declined.....

I have a system for dealing with obtaining 224c, mainly its coordination and persistence and a load of structure – but that is for a different day.

Simplicty Living. Simple, simple, stupid! April 25, 2024

Simplicty Living. Simple, simple, stupid!

As a former CEO of Universal Homes, building hundreds of homes including walk up apartments over the last seven years, I have come to an enlightening conclusion with regards to that what Shane Brealey has achieved with Simplicity Living. The design, method of procurement, construction, tradie interaction and project management with a constant focus on improvement -aka kaizen Toyota- canNOT be replicated by any existing construction firm in New Zealand.

And that means no other firm can secure the substantial cost savings he does in providing mid-level apartment buildings to the build to rent market, or the for-sale market for that matter. I know this for a fact, I sure tried.

I have poured over every detail in his plans, from layout efficiencies to construction junctions. I understand the way he procures and manages the projects. I used experts to reverse engineer every element. I have seen the feasibilities (that's ridiculous I USED to say) and I have seen what he can pay for land.

My conclusion is simple, easily explained by these four constraints that affect everyone else:

Firstly, the only way to replicate what Shane is done is to first throw everything you currently do in the bin. Every preconception about how people work together and inherent bias, founded on generations of an industry that doesn't really change anything, but constantly tries using new methods whilst still embedding old attitudes. That gets rid of 90% of the players – because they won't or more than likely structurally can't do that.

Second, you need to start again with one person making every single decision. That person needs to understand the complete development ecosystem from tenant needs & management to funding, urban design, architecture, project management to site management and even to the resource and process every subbie performs on site, as well (phew) to the logistics and perhaps even manufacture of every component involved in the final build. Of course, this initial micromanagement actually results in complete hands-off delegation once the decisions are ingrained. Many decisions already made never have to be made again because…

Thirdly, consistency. Every project builds on the previous project. Every project moves forward substantially similar to the one before with subtle improvements. Improvements created -no doubt- by a team in synergy, getting that extra 1% here and there. There are no other 'different' projects clouding the production line (from CEO to plumber). Rather than changing everything all the time, improvement is incremental, step by step. And that is greatly helped because of….

Fourth, continuity. You need the team to continue the journey without delay, without downtime, with a pipeline that allows every player to work together (yes subbies advising other subbies!) to get faster/more productive/more quality conscious, because they (everyone!) know they will make more money the next time around from their own productivity increases.

So, unless you are ready to start again, have one key person run the entire show and then get 700 units under your belt doing the same thing every day, what Simplicity Living through Shane

and his devout followers has achieved is next to impossible.

Not trying to kiss butt, just saying it as I see it. Could I be wrong?

Andrew Crosby

https://simplicity.kiwi/learn/updates/simplicity-living-oranga?

Xpect Connect Tender Prequal DONE April 25, 2024

Xpect Connect Tender Prequal DONE

Xpect Connect. Auckland City Tender Prequalification Results. After running through the results the terrace home developer will be issuing tenders to 3 of the parties prequalified using Xpect Connect.

Testimonial attached.

http://aenspire.com/xpect/xpectconnectReference.pdf

Xpect 2 Connect International April 25, 2024

Xpect 2 Connect International

Xpect 2 Connect has gone INTERNATIONAL! We have partnered with one of New Zealand's leading Immigration Specialists to provide an end-to-end recruitment and immigration service for Property, Development, Project Management, Engineering and Construction firms in New Zealand.

If you are a New Zealand employer and you require skilled english speaking experienced industry professionals you can now tap into our combined applicant database. If an existing applicant matches your requirements, we will also handle all the visa requirements.

Make no mistake there are highly qualified applicants overseas that would cherish the opportunity to live and work in New Zealand. Often for very competitive and compelling salaries with higher than anticipated levels of experience. Costs are typically paid by the applicant, not the employer.

Contact andrew@xpectproperty.com with your job placement requirements.

Overseas (non New Zealand resident) skilled candidates are also welcome to register.

TENDER IS ON!!! via Xpect Connect April 25, 2024

TENDER IS ON!!! via Xpect Connect

TENDER OPPORTUNITY FOR MEDIUM SIZED MAIN CONTRACTORS IN AUCKLAND!
Attention Main Contractors in Auckland Xpect Connect is calling for expressions of interest to prequalify for this new build opportunity. Ten Terrace homes in Auckland City (the old council boundaries) starting September 2024.

The project has obtained Building Consent, Engineering Plan Approval and has funding to proceed. The developer with experience in these types of projects has decided to build and hold the product so no presales are required. Please note the public SW work been completed and is not part of this contract.

The developer and their representative has been prequalified by Xpect Connect.

Main contractors register your interest by emailing andrew@xpectproperty.com prior to 5pm Wednesday 13 March.

I will contact you to go through prequalification process. If you prequalify as suitable, and at the developers sole discretion, tenders will be issued by the developers representative direct and due 16 April.

Two for tea and... April 25, 2024

Two for tea and...

For this development on Mt Wellington, Auckland, I did due diligence, the feaso and was involved in the design and marketing as a development manager.

Strategy:

It's a live work project with light industrial (warehouse) down below and a 2 beddie apartment up above. Each 'Duo' was sold as a package. The initial idea being live above your small business. This concept was exploding north of the harbour bridge -mainly by one developer- but missing elsewhere.

I valued the apartment with comparable sales (plenty of brick and tile units but few apartments anywhere nearby). I ran a rental analysis as well for investors. I got hold of the best small commercial agents in the area to get a cap rate and a commercial rental for the warehouse. No matter how I optimistically ran the numbers and crunched the construction costs the project didn't stack.

Then my boss had an epiphany -as most big thinking developers do- the punters will pay more for the DUO because they have the option of renting or living above their business and that demands a premium. 1+1=3 so goes the logic.

Anyway, he ended up being right, and with presales the project was bankable and a goer.

Xpect Connect April 25, 2024

Xpect Connect

Right it's just about time to enjoy the beautiful Omanu beach. BUT before I do I want to introduce you to a new business. It's called "Xpect Connect". Today I will introduce the first of two modules.

Xpect Connect – Project based prequalified procurement for small to medium developers and builders.

Xpect Connect solves procurement hassle and brings prequalified projects and contractors together, with the key value being utilising my experience of effectively doing this for years now in the industry network I have generated.

This is how it works. As the representative/project owner of a new development project you will send Xpect Connect your project details. Xpect Connect then prequalifies you as developer/project manager and also the project itself. If you and your project meets the special criteria I have developed, you will be asked if your "job" is to be posted live.

Upon approval Xpect Connect will post the job in this network, minus your name and confidential details – so you are not contacted directly.

Contractors will be invited to submit their interest, confidentially direct to Xpect Connect. The submissions will be in a standardised format to solicit interested parties that are relevant to the particular project. Xpect Connect will prequalify the contractor using special criteria I have developed in order to see if there is a fit with the project. If there is a fit, after a specified period of time to give others to submit, prequalified contractors will be sent to the project owner.

Xpect Connect charges a one off fee to the project owner of $2,500+GST per successful placement and takes no liability for the contracted work or relationship. The service simply delivers you a shortlist vetted by an industry professional in a structured manner that you can then work with. Subsequent services to continue the procurement can be purchased from Xpect Connect if required, otherwise you are on your own.

If Xpect Connect is of interest I invite you to register direct with me at andrew@xpectproperty.com with "Builder Connect" in the subject line.

Projects being accepted now.

Main contractors invited to register their interest in this service now, so you are not missing from the Xpect Connect network.

XPECT
CONNECT

Go Williams! April 25, 2024

Go Williams!

Williams Corporation. They blew away the competition. They put everyone like me on notice. They invented or at least did it the most of essentially new product types and new site layouts.

They created volume out of many small relatively simple easily serviced sites rather than the complex and longterm beasts large sites typically are (believe me!).

I was both in admiration and jealous, or maybe just disappointed I couldn't replicate some of the same.

Williams created more affordable homes than any other business in New Zealand. Let them swig champagne on the jet!

Bad boy on Brighton April 25, 2024

Bad boy on Brighton

This is the first house (duplex) I ever project managed – well helped the site manager really. Designed by Richard Priest in Parnell, it had a tonne of extravagant features and one of the two homes was for my developer boss at the time.

Some funny ancedotes:

The concrete subbie carved a big line in the diamond cut polished concrete floor. He fixed it by using some sort of white expoxy. It stood out in the living room like the crack above his pants. On the landline I said you're going to have to dig that white mess out, figure something that looks better and recoat the entire floor. That set him off.....a day later....I walked onto site to see this enormous man standing an inch away from my bosses face. The concrete subbie thought my boss was me and was about to have a go....my boss didnt even know about the line at the time!

Bulgarian tilers sold us the (price) dream but ended up having to tile the double shower glass mosaic tiles floor to ceiling and everything in between twice because they couldnt get the lines straight.

The same bathroom had a massive mirror with the tap handles protruding out. So you had to pre cut the mirror and then do the second fix of the tap fitting super carefully. The plumber carefully broke that mirror three times!

Xpect 2 Connect TO A JOB April 25, 2024

Xpect 2 Connect TO A JOB

Xpect 2 Connect – Property Development Recruitment.

Is this a problem? You want to hire staff for a development project or your business but it's a deluge of CV's and you don't really have the time and energy to go through each one. So you hire a recruiter but their expertise is limited in property development. And you could still end up having to review a number of candidates that may simply not be fit for the job. Further, your own experience at assessing development team members is limited, so you really are taking a risk.

Xpect 2 Connect solves this recruitment hassle and brings prequalified prospective employees and developers/asset owners together. Having interviewed, employed, trained and worked with hundreds of staff in the property development business over many years I bring a unique and valuable independent assessment of what it takes to do these roles. And how much you should pay in the current market. Many, if not everyone decent are in my network.

This is how it works. As the employer you will send Xpect 2 Connect your draft job description. Xpect 2 Connect will clarify and help you with the job description, providing advice as to the ideal target candidates title, experience, technical skills and personality requirements.

Once confirmed Xpect 2 Connect will post the job in this network, minus your name and confidential details – so you are not contacted directly. In some cases the job will not require posting, as there will be suitable candidates already in our system.

Prospective employees (or contractors) will be invited to submit their interest and Curriculum vitae confidentially direct to Xpect 2 Connect. Xpect 2 Connect will prequalify those candidates in a structured process I have developed over many years suitable to finding the best employee a developer needs.

Xpect 2 Connect then sends a shortlist of prequalified prospective employees to the employer as well as a summary of all those considered but did not make the final shortlist.

Xpect 2 Connect charges a one-off fee to the employer of $5,000+GST per successful placement, payable at the end of any trial period. Xpect 2 Connect can also provide one on one structured development and project management training, where a candidate satisfies most of the requirements but has not operated in a property owner/developer client side role previously.

Proposed roles from employers being accepted now. Please email to andrew@xpectproperty.com

Prospective candidates considering a new role are invited to register their interest in this service now, so you are not missing from the Xpect 2 Connect network. Please email to andrew@xpectproperty.com

This is an independent, non-bias and confidential service for all parties.

For further information:
http://aenspire.com/xpect/xpect2connect.pdf

2CONNECT

Xpect Connect for builders and developers April 25, 2024

Xpect Connect for builders and developers

Builders do you want to be on the developers preferred tender/negotiation list?
———-

Xpect Connect – Project based prequalified procurement for small to medium developers and builders.

Xpect Connect solves procurement hassle and brings prequalified projects and contractors together, with the key value being utilising my experience of effectively doing this for years now in the industry network I have generated.

This is how it works. As the representative/project owner of a new development project you will send Xpect Connect your project details. Xpect Connect then prequalifies you as developer/project manager and also the project itself. If you and your project meets the special criteria I have developed, you will be asked if your "job" is to be posted live.

Upon approval Xpect Connect will post the job in this network, minus your name and confidential details – so you are not contacted directly.

Contractors will be invited to submit their interest, confidentially direct to Xpect Connect. The submissions will be in a standardised format to solicit interested parties that are relevant to the particular project. Xpect Connect will prequalify the contractor using special criteria I have developed in order to see if there is a fit with the project. If there is a fit, after a specified period of time to give others to submit, prequalified contractors will be sent to the project owner.

Xpect Connect charges a one off fee to the project owner of $2,500+GST per successful placement and takes no liability for the contracted work or relationship. The service simply delivers you a shortlist vetted by an industry professional in a structured manner that you can then work with. Subsequent services to continue the procurement can be purchased from Xpect Connect if required, otherwise you are on your own.

If Xpect Connect is of interest I invite you to register direct with me at andrew@xpectproperty.com with "Builder Connect" in the subject line.

Projects being accepted now.

Main contractors invited to register their interest in this service now, so you are not missing from the Xpect Connect network.

More information:
http://aenspire.com/xpect/xpectconnect.pdf

A reference:
http://aenspire.com/xpect/xpectconnectReference.pdf

XPECT
CONNECT

Xpect Verdict April 25, 2024

Xpect Verdict

Disputes between contractors and their clients (developers/asset owners) often arise in construction projects. Often the causes are technical, murky and who is responsible not clear. Sometimes the client doesn't have the background to understand. Other times, those involved in the detail take a entrenched position. Regardless, you need issues resolved quickly otherwise resentment builds and delaying a decision here could stop any real building there.

'Xpect Verdict' takes a practical problem-solving approach to resolving construction disputes.

My experience running both a main contracting business, a development company as well as numerous projects over many years means I can see both sides of the equation. Typically, some sort of compromise or concession may need to happen to get back on track. Achieving this doesn't happen with sweet talk. It requires placing blame to one side, utilising a structured approach, with both attention to detail and assessing the big picture, from all perspectives.

'Xpect Verdict' is an independent authority the contractor and the client can jointly engage to conclude disputes before you get the lawyers in.

This is our process.

1. Either in the contract you (contractor + client) have recorded Andrew Crosby as the independent expert to go to in the event of a unresolved dispute, or you jointly contact me mid project.

2. You provide a basic summary of the dispute. We assess if our service is appropriate and advise a fee -$500 per hour.

3. We arrange an onsite workshop with everyone that has had an influence on the dispute. This must include a final decision maker on both the contractors and clients side.

4. Both contractor and client compile their current position and bring all necessary detail and 'evidence' to the onsite workshop.

5. Being onsite means we can explore the physical issues as well as the documentation.

6. We apply our problem-solving system to ensure the workshop flows to a conclusion.

7. No one leaves site until a 'Verdict', an independent expert opinion, from us is issued.

Xpect Verdict

Contact andrew@xpectproperty.com to discuss more or see this info:

http://aenspire.com/xpect/xpectverdict.pdf

Verdict

About to sign the contract to build a new home? April 25, 2024

About to sign the contract to build a new home?

Buying off the plan? Entering into a new build home contract? ‘Xpect Inspect’ is a service for home buyers, their buying agents, lawyers and funders regarding off the plan property purchases and house construction.

‘Xpect Inspect’ analyses the sale and purchase agreement, or new home build contract and advises the practical ramifications of what the buyer is signing up to. Including the direct potential financial reality of any incentives. And what could happen in time, money and quality under different market circumstances.

This is based on our extensive experience over three decades of issuing, reviewing, negotiating and enforcing S&P and new home build contracts, (as well as development agreements) in New Zealand.

There are so many stories in the media how buyers feel ripped off. If only they had the right practical advice before they signed. I have seen all the tricks throughout different markets. I see clauses reinvent themselves after years in hibernation.

Homebuyers and your advisors, please don’t fall into an off the plan, or design build spruiker’s trap. Talk to ‘Xpect Inspect’ first.

Homebuyers, Buyers Agents, Lawyers & Funders click here for more:

http://aenspire.com/xpect/xpectinspect.pdf

XPECT

INsPECT

Xpect Insight April 25, 2024

Xpect Insight

Xpect Insight: Research for Business Development

Business development requires you to establish strategies and action ideas. Strategy and ideas come from research. Insightful strategy and impactful ideas come from exploring the right questions in the correct way in the first place.

Research in the property and construction industry requires a mix of academic rigour combined with practical nous. Omit either component and you can easily underestimate risk or completely miss reality.

With Xpect Insight you have a director with 14 years' experience as a lecturer in property development, degrees in Architecture and Property from Auckland University, and an advanced course in Real Estate Finance from Massachusetts Institute of Technology so you can be assured of competent rigor.

Over 25 years, working in New Zealand, Australia and the United States for private developers and funders, an American software guru, a British Institution and both the New Zealand and Chinese governments, a diverse array of practical questions have been posed across a range of challenging property markets – good times and bad.

And research that provides real insight is not just about burying your head into google search or a spreadsheet at your desk. It is really about establishing and accessing a diverse robust network, getting on the phone and jumping in a car or a plane. It can almost be called 'research by doing'.

Business development research assignments:
• Direct property fund portfolio analysis • Software development for project collaboration, leading to the tool CollaborIT used on prisons, hospitals, the Northshore Busway and other infrastructure and private developments in NZ.
https://www.nzherald.co.nz/technology/money-and-time-saved-with-online-document-system/NIGVPGX3QRLMTTV4KNWWVG2EH4/
• Retirement sector analysis in New Zealand & Australia • Residential development management best practice culminating in the book 'House, Love, Land & Money' https://www.amazon.com/House-Land-Love-Money-Development/dp/1547180692
• United States ski resorts and town centres
• Residential development risk management and problem solving resulting in the book 'Turnaround Success' https://www.amazon.com.au/Turnaround-Success-Resurrect-Failed-Developments/dp/1790590884
• Global residential market analysis concluding in opening and managing a property development business in Phoenix, Arizona.
• Hotel general management best practice
• International innovation across the property sector all referenced in the book 'Destiny: Future of Real Estate Development' https://www.amazon.com.au/Destiny-Future-Real-Estate-Development/dp/1095425676
• Private Public Partnerships
• Numerous other assignments – many documented in this blog

Choose Xpect Insight for your next research and business development project. Fee dependent on scope.

http://aenspire.com/xpect/xpectInsight.pdf

What a Scene April 25, 2024

What a Scene

Whilst being well aware of the Scene One, Auckland project in the office my actual involvement was a fleeting stint managing purchasers at settlement and getting their defects sorted with the main contractor.

Some anecdotes :

When contractors are losing money getting them motivated to sort defects is challenging. You simply can't let it drag on. The longer it takes the less contactable many subbies will become. Yes there is a contract but still.....

When pre-sales started, I remember it vividly – the fax machine started cranking pumping out signed sale and purchase agreements on the Friday afternoon and never stopped during the weekend until the project was sold out (or close enough) on the Monday arvo. Good ole days!

Many have complained that the three buildings this development eventually became blocked the water with a "wall" from the rest of the city. Well guess what council didn't want to allow Vancouver style tall circular skinny towers so the architect was forced to comply with the bulk and location allowed at the time and waa ala.

The Garrison April 25, 2024

The Garrison

This 3 level apartment project in Three Kings, Auckland, was the first Housing New Zealand development post a massive lull in new projects during and post the global financial crisis. The development management team was two of us when I joined but it quickly grew.

I was in charge of securing the builder- it went through an RFP design build process. Well actually there was a committee to decide who the successful RFP would be but no one else could make a decision so I said – "ok anyone not ok if I choose then?"

Silence.

So I chose.

I got the successful builder into the office. He had a DB sum of $ 7m something. I said "start with a 6 and its yours". "No problem" and off we were.

At that time, once the deal was signed I would handover to a delivery department.....hmmm....I hope they kept the cost starting with a 6!

The project is practical social housing.

It's ironic it was raining at the time of my most recent visit. Because the last time I went there, I had a new CEO and some board members and maybe a politician as well to show off first project of the modern generation. The unit we chose to open the door to, the CEO went in first, then scurried back and quietly said to me "Andrew the floor is flooded"
"Sh$t!"

Anyway we quickly found another unit, a dry one, one that the HWC hadn't burst. Me,the CEO and the builders little secret. Lesson learned- check before you let a VIP go first.

The builder was very good though. Some innovations included a hidden double wall where the retaining met the lower floor habitable spaces. So no relying on a single layer of tanking to waterproof the block wall – those can fail all the time- ok for garages but that is about it.

Another innovation is rather than use weatherboard cladding on all surfaces the builder actually ran a weatherboard pattern in pre cast concrete for some of the more difficult walls- all in the name of lower maintenance . You can't tell the difference.

All said and done the project later went on to win a Property Council award. That builder went on to develop a huge number of affordable homes for sale and rent- taking concrete innovation to a whole new level.

Do you have a large remediation project? April 25, 2024

Do you have a large remediation project?

Xpect Remediate. For body corporates and asset owners requiring property remediation. Xpect is proud to partner with PJM Projects to solve body corporates and residential asset owners most difficult remediation problems.

My approach is that undertaking a capital works project on behalf of a group of owners, their kids, their tenants and their pets requires a lot more than just a technical approach.

Maximising value is actually the right outcome. Minimising stress whilst restraining cost is the best delivery mechanism.

And to do that you need independence on site – to question consultant and contractor advice – to gain consensus- to listen to the owners, to collaborate towards each decision and to ensure no dollar is spent without each item creating owners value.

Enough said. Paul Miller and the team have the track record, the past and present remediation projects and the empathic skills required to deliver in this important and delicate environment.

http://aenspire.com/xpect/xpectremediate.pdf

XPECT
REMEDIATE

PJM
Project
Management

Scandal in Scanlan? April 25, 2024

Scandal in Scanlan?

This was one of about a dozen 2/3/4 level terrace home developments throughout Ponsonby, Grey Lynn and Parnell where I was tasked with reclaiming the retentions from buyers.

Yes back in the day -and I can't recall if other developers were doing it, or if it was our marketing strategy- the sale and purchase contract included a buyers retention. Say the sale price was $750,000 well the buyer might be entitled to withhold say 2% (I can't remember the exact %) until any defects were agreed completed.

I don't think this clause/concept has been around, certainly for off the plan (pay on settlement) purchases ,for 20 years.

I wonder if anyone will read this post and then try to utilise this idea as a buyer incentive to help move their housing stock? If so feel free to donate some sales proceeds! – I have a tonne more tested ideas!

In this particular development they all HAD fantastic views…….look in the comments to see what happened…basically a forerunner to the NPS-UD….

17.
SCALA

Who forgot the power? April 25, 2024

Who forgot the power?

On the former Auckland Carter Holt Harvey plywood factory site, grew the mega mixed use project that was named Eden. Residential, commercial, retail, the whole shebang.

This particular building was the only full structure retained. A renovation job, where as much of the original New York Loft Style timber and brick structure was retained as possible . I was the assistant development manager/project manager looking after landlords works for tenants and making sure they got what we had promised in their various agreements to lease. A cafe/coffee roaster, a small warehouse and retail shop front and office tenants.

Some lessons.

1. Be crystal clear with photographic examples what 'renovated character condition' (or something similar wording- its been a while) actually means. Lots of debates over what should have been enclosed or exposed!

2. Split system air-conditioning system is different to a VAV system. Just fyi for young players interpreting outline specs with a tenant – after installation.

3. Red: The colour of my face when I embarrassingly got told by the main contractor that the power transformer was not in his contract and my problem.

4. White: The colour of my face when the power company informed me that lead times for generators are indeed not a week or two like I pleaded, but six months after the lease is scheduled to start with late occupancy LD's….

……Let's just say the tenants moved in on time and I used the longest fattest extension cord you can imagine.

Shot through the .... April 25, 2024

Shot through the ....

This was another commercial building at Eden and the top floor home to our new offices that I acted as assistant dev mgr pm. The bottom warehouse structure was existing and everything above a new build. Much easier than a historic reno!

I recall this one went pretty well but there are two stories.

One: Metal grate decks seem like a good idea on paper. But are annoying to woman in two ways – please guess in the comments:

Two: Ok, I will have to set the scene, Across the busy Normanby road was someone's small single level office with a window facing our building under construction. Beneath that window was a mans desk. Behind the desk was a wall with a glass covered painting on it.

From level 2 of our building under construction you could see when he was sitting there the mans head in the middle of the window. Clear line of sight.

Ok, so one morning..a carpenter was using a nail gun ...with a purple charge... to attach timber frame to a steel post.

That afternoon I had to reglaze a painting, replace a window and dispose of a single nail. Thankfully, the chap was on a break. No pun intended.

Landowner turned developer ? Need help? April 25, 2024

Landowner turned developer ? Need help?

A number of landowners looking at developing small to medium sized residential projects for the future have been contacting me for development financial feasibilities. Bread and butter for me. When 50% of your time over the last 2 years has been to interrogate and crunch the numbers to bid on development sites – it becomes almost second nature.

Of course, what you don't see is that it's a little more involved than just throwing some numbers around. The numbers are the result of investigating, coordinating and juggling infrastructure, geography and topology (and about ten other'ologys), planning, product type/demand, constructability of homes & civil works, architecture, urban design, the foibles of council, sales (pricing & velocity) and programme timing that represents reality. Then you can assess the costs with a developer mindset (which can differ from a QS) and of course throw in some financing.

Finally, you are well advised to wrap everything up in risk identification and management blanket.

Xpect and our business partner at PJM Project Management Ltd have been working on standardising our approach today and we have now packaged up a comprehensive fixed fee service – well really it's a series of products (that you progress through step by step) that given our joint experience is going to be the best money you will ever spend to assess your site's development potential and start delivering.

http://aenspire.com/xpect/XpectDeveloperAssist.pdf

Xpect Remediate April 25, 2024

Xpect Remediate

Xpect Remediate: Connecting body corporates and residential asset owners with maximum value. Xpect is partnered with PJM Projects to solve body corporates and residential asset owners most difficult remediation problems.

http://aenspire.com/xpect/xpectremediate.pdf

Hotelier? Y Agent? N April 25, 2024

Hotelier? Y Agent? N

Funny the things I have gotten myself into over the years….

REAL ESTATE INSTITUTE OF NEW ZEALAND
INCORPORATED

THIS IS TO CERTIFY

Crosby Andrew

has completed the Branch Manager course of
the Real Estate Institute of New Zealand Inc
and subject to completing the practice requirements
will be eligible to apply for Branch Manager status.

16 December 2003
Date

Executive Director

Mixed Tenure Apartments – the first? April 25, 2024

Mixed Tenure Apartments – the first?

One of my main tasks whilst at Housing New Zealand under the previous National government was to develop land owned by the crown into the mixed tenure model where public, private and community housing intermixed. Pepper potting social housing in a single apartment building.

A difficult idealistic solution that via a simple PPP a brave development partner took on and did a great job.

399 Manchester Street, Christchurch was the first one. Michael Butler was my team SDM on this one, nailing the project into delivery.

Does anyone know how the property and the pepper potting gets on now almost ten years later?

Lemonade for Developers April 25, 2024

Lemonade for Developers

Brought a lime tree but it's only producing lemons?

Xpect to squeeze and extract the lemonade.

Xpect and PJM specialise in those property projects most difficult, nationwide.

From development and capital works direction & advisory to project & construction management.

Developer and financier assist. A phone call is not a committment, so let us listen to you.

http://aenspire.com/xpect/XpectFinancierProjectSupport.pdf

http://aenspire.com/xpect/XpectDeveloperAssist.pdf

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Xpectproperty.com

$1.5B West Hills Development April 25, 2024

$1.5B West Hills Development

West Hills – one of, if not the largest, house and land projects in New Zealand where as developer we took paddocks where cows grazed, rezoned it and did all the subdivision and built and sold the houses ourselves. It will end up around 1500 homes – mainly terraces. Possibly some mid rise apartments in the next cycle.

Purchased just before I started on this project, I was sales/marketing and project director and then CEO in charge of this beast for 6 and a half years. We were about 300 homes, a park and a bunch of civil infrastructure and superlots in, when I left to commence Xpectproperty.com

This project has every challenge a greenfield development can desire:
– An undecided arterial road.
– A government promised infrastructure fund that came and went.
– Stream and wetland.
– Neighbors.
– Land designated to be taken away to increase the adjoining road – but not confirmed so didn't know our boundary.
– In the airforce no fly zone – limiting heights at the peak sites and need to advise everytime you want to use a crane.
– A park deal.
– Dependent on infrastructure upgrades with various triggers.
– A big development contribution bump coming.
– OIA delivery conditions.
– Multi market cycle dynamics.
– A million other things. Many incl above not agreed with the authorities before the land was purchased.
– And of course a massive multistage feaso, with a thousand sub feasos to suit the market dynamics of the day.

One and a half Billion dollar project on a $142m slice of godsown.

Too many stories without giving the secret sauce out. You can talk to me direct if you like – although check out this series I wrote on my version of best practice for large house and land developments.

INSERT LINKS TO SERIES

This is a great development. And that's a tribute to a lot of people's hard work and dedication – that I just happened to have a guiding hand in.

Awamarino Way

Wai Place

HARVEYS
50

25

Xpect to be paid! April 25, 2024

Xpect to be paid!

Finally got IRD and GST number issued today, and first invoices out. Xpecting revenue!

Geez what a bargain I have been charging…

XPECT PROPERTY LIMITED
[redacted]
Auckland 1060
GST Number [redacted]
andrew@xpectproperty.com

TAX INVOICE

Invoice Date: 11/04/2024
Invoice Number: XIS 24001
Client Reference or PO:
Client Name:
Client Address: [redacted]

Description	Quantity	Unit Price	Amount NZD
New Build Contract Opinion	1	300	300.00

Net Amount		300.00
GST @ 15%		45.00
Total		345.00
Amount Due NZD	**$**	**345.00**
Due Date		***19/04/2024***

Please pay by direct credit to Bank Account before the Due Date and include the reference below

Account Number: [redacted]
Use Reference
Account Name: XpectProperty

Property Lawyers – this dovetails nicely! April 25, 2024

Property Lawyers – this dovetails nicely!

Property lawyers. Get your clients to run their new home contract past me first, before you try and review. I have discussed this with three specialist lawyers now. Mostly it's negotiation terms that need to be sorted, well in advance of legal risk mechanisms. Then your job is much smoother.

Your fee per time spent will improve.

Read more and a reference here:
http://aenspire.com/xpect/xpectinspect.pdf

INsPECT

Community Housing Funding….? April 25, 2024

Community Housing Funding….?

Two Community Housing projects built under my watch and Paul Miller's. But these projects (with their all-important wrap around support) are drying up now as the entire New Zealand CHP sector is on tenterhooks seeking Government funding decisions….

PJM_

Project
Management

Trying buyers on in presale contracts April 25, 2024

Trying buyers on in presale contracts

Just reviewed a S&P agreement for an elderly couple buying their dream apartment. Developers are still trying it on. Just in case the market improves, they run the risk of the developer cancelling so the developer can resell at a higher price and the buyer is left high and dry. This BS is still going on!!!

INsPECT

Luminous luxury! April 25, 2024

Luminous luxury!

A little way back this Grey Lynn project was one of numerous terrace home schemes I was involved in for a prolific developer. In this case helping marketing and development/project management.

In a narrow deep terrace- where basically a garage +front door access determine the width module, light comes at a premium for the internal units.

In this project the living was put on the top level with clerestory windows along a vertical upstand wall (creating a sawtooth roof pattern) running the entire depth.

The result: Luminous luxury!

This made my day! April 25, 2024

This made my day!

“Andrew’s service was first rate. Prompt, detailed and it raised a whole lot of questions that I simply would not have known to ask. It’s not legal advice but to my mind is worth even more. A lawyer will give you the basics to protect your position but Andrew takes a complete view in terms of the long term impact on the home owner. If you are thinking of a new build or renovation, I could not recommend Andrew highly enough for his building contract review.”
– Angus Ogilvie

Mucking in – Grey Lynn! April 25, 2024

Mucking in – Grey Lynn!

I have one story about this 4 unit project off Richmond road in Grey Lynn – adjoining the previous one I posted about. Amongst my development management tasks, along with design mgt I was in charge of marketing the homes – i.e. giving the agent all the tools to seal the deal in pre-sales. So, we had a hard Saturday deadline for a launch date. I had a Portacom ordered to arrive on Friday morning for the display materials and we were going to create a little landscaped enclave out in front to make it all look good – a hill, some lawn, rocks, path etc. Landscaper booked for Friday arvo. Portacom arrived, I fit it out with all the marketing collateral.

Landscaper a no show.

Friday night, I was in a panic, I did not want to miss my deadline. So the flatty's at the dungeon on Garfield, Parnell and I, after a few, decided f the landscaper, we would deliver before open home at 12pm.

7am Saturday, a bit dusty. All four of us jumped in the Holden Kingswood station wagon and headed south. First stop the trailer hire place, then the dirt and rock place, then the ready lawn place in Drury, then some outdoor furniture thrown on top.

Fully loaded golden holden back up the motorway thru Ponsonby and we started shoveling off the back of trailer, created a mound and laid ready lawn and some river rocks like André Le Nôtre (google it!).

Job done.

Agent turned up 3 minutes later, nailed the sales, no doubt ONLY because of our manicured front entrance.

Boss dropped off boxes of Heinys, to the dungeon, later that afternoon after he heard what had happened. No doubt, there were none left Sunday morning.

Gen Z into that do you think?

72

Strategic Asset Mgt Plans April 25, 2024

Strategic Asset Mgt Plans

Just finished a comprehensive review of housing portfolio related Strategic Asset Management Plans and Asset Mgt Plans and their frameworks. Thanks for those who sent through examples. Keep'em coming as I like to extract the best bits, especially the practical actions over the theoretical rhetoric. This is all preparation for a client workshop (to nail these plans) we are holding for a community housing provider in a couple of weeks.

Part of the Xpect Insight delivery promise: we do our homework on our own time!

http://aenspire.com/xpect/xpectInsight.pdf

The Dream Build April 24, 2024

The Dream Build

This project in South Auckland was pretty much ready set go when I got involved. 73 standalone homes arranged around two pocket parks, sold out. I only had two tasks, get the house builder underway and sort out a teeny weeny swale along the main road. Well the swale turned out to be a bit of a mission as it didn't have adequate budget once council decided what we needed to build was more onerous than our original consultants infrastructure design.

The build was anything but a mission, it was a dream. Primarily because of the onsite house to house manufacture style employed by the main contractor. And a well drilled building and design team with spectacular programming of their subbies. The rolling production line delivered one home every three days, on time, every time.

The development manager (me) and the Engineer to the Contract had nothing really to do. Good learnings about productive building though.

CEO/Director? Health & Safety??? April 24, 2024

CEO/Director? Health & Safety???

If you are a CEO and/or director of a construction company you have a big responsibility. Health & Safety. Those who do not take this responsibility seriously, well, take a look at recent news to see how far the authorities will go, if the most unfortunate happens on your site. Trying to grapple with the vast reams of H&S information kept me awake at night. The H&S audits. The directors duties. Just thinking 'have we done enough' to keep the staff and subbies safe? Construction sites are dangerous places. It's a constant battle by project managers to keep everyone in check. And basically it's never ending, question – was I doing enough?

Well the reality is you can probably never do enough. And the minimum that we had previously settled on, was simply not good enough. So I decided that as a construction company we would look to continuously improve H&S by having one clear vision. Every step we took would be to improve ourselves until we achieved the international standard ISO45001 status for Occupational Health & Safety. Our H&S improvement plan was literally the Table of Contents for ISO45001, and we worked on filling in the blanks. Over time each blank filled in represented an improvement.

Alongside this, was taking a practical risk adjusted approach to H&S.

Every site was a full PPE site, so no one had to make a decision whether they should wear a hi-vis vest, a hardhat or steel cap shoes. If the property was under construction, even if it looked finished and the scaffold down, didn't matter. No PPE, no access. I got extremely 'annoyed' if anyone flouted this rule. I definitely named and shamed.

We celebrated success onsite, for those subbies who made a difference – you may have seen some photo's in posts.

I forced the senior management team on site, to not just observe, but to directly interact identifying the risks. We kept a schedule, showing how many times a year they visited...important for the office bound staff to get out.

Anyway, something is brewing on this front, to help those of you without the resources I had, to better manage your H&S obligations – so stay tuned.

XPECT safety

Xpect Safety April 24, 2024

Xpect Safety

Xpect has partnered with Advanced Safety utilising the digital platform Site APP Pro to provide Health & Safety solutions for the development and construction industry. For contractors, developers, project managers and consultants.

With Advanced Safety, you gain a partner committed to simplifying health and safety, enabling you to concentrate on your core business activities while keeping your team safe and your projects compliant.

Site APP Pro is a New Zealand developed and supported powerful but user-friendly mobile health & safety application. These guys are also going places, having expanded to the North American market.

More info here http://aenspire.com/xpect/xpectsafety.pdf

Or go straight to our landing page for a demonstration:
https://www.siteapppro.com/partners/xpect-safety

Xpect Property April 17, 2024

Xpect Property

Whilst I registered the company Xpect Property Limited in October 2022, its first official day of trading was not to Leap day, February 29th , 2024.

A leap indeed.

Xpect a leap in development in New Zealand, now I have no constraints.

andrew@xpectproperty.com

+6421982444

Xpectproperty.com

Universal Homes April 17, 2024

Universal Homes

I would like to thank the team at Universal in New Zealand for the 6.5 years to Feb 28, 2024. We built a lot of homes together.

Probably worthy of a book one day.

CEO September 4, 2022

CEO

Warning: This is a self memoir that digs deep into the way I think. You could be left thinking this is a dangerous foray into the psychology of a disturbed mind. Or you might deduce it's a load of self indulgent garbage. Regardless, I hope there are at least a couple of illuminating points. Strap yourself in!

Today, two years ago, Tuesday, September 1, 2020, I was privileged to take over as Chief Executive Officer for Universal Homes.

The previous CEO -who announced his retirement some 6 months earlier- had held the position for 32 years out of his 42 years at Universal homes. That's some sort of record I'm picking for a non-founder to run a property development and home-building business.

So filling his well-honed shoes, came with well just a teeny bit of PRESSURE.

And my inaugural week couldn't have come at a better time.

Sunday, was the last day of the second Covid lockdown. Monday, the day prior to my official start, my predecessor let me take CEO reigns on a legal dispute a day early. Thus, I spent 13 hours in a mediation with a contractor and lawyers and consultants. As far as I am concerned the claim was frivolous and we won that day, but it was about 11 hours of stress before we had negotiated ourselves to a $ position where I prearranged board approval to compromise. It was pure pain. And I learned that mediation is a waste of time. Best to go straight to a ruling from someone independent rather than battle on logic for months with lawyers going back and forth, but still on the day have to compromise, illogically, just to get a deal across the line and pay a ton of legal fees.

Day One. Hi everyone, welcome back to the office after a pandemic induced holiday…I mean work from home. Ah and welcome to all your new positions as this is the first effective day of the company restructure.

Day Three, we were negotiating a massive funding line extension with our local banking partner. Now, this turned out to be relatively simple, with a great CFO holding the reigns, but I didn't know that in advance, nor had I been responsible for anything like that in the past. .

Day Five, conclude the negotiations (that had been going on for six months) for a OIO extension for our flagship billion-dollar development.

And all week long thinking, how is this market going to implode now the island nation is closed off.

Well, it turned out that September went on to become our best selling month in a generation – aided by a substantial homes completed and unsold portfolio from 2019. The good times continued with January 2021 breaking that record again as we launched 150 homes across West Hills stage 2 and Hobsonville BB15 to the market.

By then one year fixed mortgage had almost dropped to 2%. Inflation, sminflation.

The CEO honeymoon period, in full rose coloured sun glasses, better than anyone in the business could ever expect.

Then the Auckland lockdown/smackdown in the second half of 2021 heralded in a supply chain mess, and delays to everything conceivable. By the end of the year we had over 100 homes complete, waiting for settlement without titles, that never arrived before Xmas – because apparently it takes weeks longer to process them from home. December means something to us, because our financial year is the calendar year, so a very rosy outlook ended up mediocre (in financial year terms, not in property development terms!). Not my fault, but I still got the hard word from upstairs not to allow another lockdown to slow the New Zealand property industry down!

Newlyweds holiday in the sun over. Dark clouds on the horizon. Santa, with his sleigh stuck in some container in a Shenzhen port shutdown by infected elves, trying to export toys to the North Pole, still managed to deliver a bumper Christmas hamper: a gouging series of price rises to every construction related good and service you could imagine.

I N F L A T I O N

And then the summer sales market stopped. It didn't slow down. By March it had stopped.

Since then the 2022 autumn of anguish and the winter of withering have run according to one hell of an evil algorithm:

>Double fixed term interest rates, *and concurrently*,
>Eliminate banks' ability to make reasonable lending decisions, *and concurrently,*
>Confuse the nation on who should work from home or not, *and concurrently,*
>Run out of Gib Board, *and concurrently,*
>Strangle international shipping lanes, *and concurrently,*
>Introduce all sorts of legislation that increase costs, *and concurrently,*
>Crash the sales market, *and concurrently,*
> Get the media to put the fear of overpaying into the hearts and minds of the sheeple, *and concurrently,*
>Add hyperinflation, *and concurrently,*
>Foster the Great Resignation, *and concurrently,*
>Forget to add incentives for immigration – so there is practically none *and concurrently*
>……well you get the idea.

So in two years, we went from one extreme to the other (albeit who knows if we are at the tail of this end yet.)

Good times.

Still I refereed a decision to proceed with another 90 homes at Northcote, without a presale, with bad soil underneath requiring expensive piling, with a bit of faith in negotiations with our land partner on the basis that we should be out of this mess by the time of completion at end 2023 right?

Starting future projects will be entail some interesting decisions. No one in the industry can deny that, regardless what their PR departments claim. At least we don't need pre-sales to start construction. Funding for those off-the-plan developments as all but dried up.

Enough moaning already. The pendulum goes both ways. We didn't buy much land in 2021, meaning we didn't overpay too much land. It was a feeding frenzy for developable land. Thankfully our slow, mammoth report writing, multiple approval land acquisition purchase process basically meant we couldn't compete with all those other developers keen to throw caution and their funders wallets to the wind. Plus we had already decided after missing out on yet another tender, a company hiatus on fixed price construction contracts. Building for others has only been a small part of our business, but by fluke this decision meant we weren't forced to deliver any construction projects to other developers at an inflation induced loss.

The opportunity now then is to buy some land. The tide has well and truly gone out and the water temperature ice cold. It's time to don a steamer suit, wade past the beached remains of others partially completed projects, and go spear fishing whatever species of feasibility can still swim.

Over the last two years, here's what I have discovered since my appointment to the pilots seat.

One. When I reported to the CEO I had one boss, now I report to a board and have three official bosses, plus about ten sub-bosses, that boss me. And occasionally some or all of them are bossed by someone up their food chain which turns into some directive that effectively bosses me. Regardless, of which boss or directive I potentially could blame, as the Director on the ground I am effectively solely responsible and accountable for everything that happens in New Zealand. Buck stops here, like it or not. But all this does make for animated discussions most days between me and all the bosses I can tell you!

Two. Most of my time is trying to prevent or minimise ideas or initiatives from the bosses ending up doing the exact opposite of what the bosses intend. That's a key part of the CEO (they say in books), take the hit and protect those you serve – your employees. Not easy. The bosses of the roundtable like to be 'interactive'. They often have the right strategic idea, but putting it into practice is not always, well, practical. It's a constant education process upwards. And it takes half the team collaborating to help me with that.

Three. Whilst I am not a founder of the company, I am passionate about property development and treat the company like I 100% own it – primarily to grow it. The bosses want that as well. Unfortunately, I have a tendency to treat anything that gets in the way of us developing more houses as a personal threat. Not so much from competitors -the successful ones are to admire and to learn from. Whether from bureaucracy or market forces, I soldier up to go into combat. I was given some words of wisdom, early on: "don't try and fight every battle". I'm still learning that, failing miserably.

Four. It's all about the people, I'm here for the people, your role as CEO (the social media gurus constantly remind us) is to serve your employees – that's number one. Employees first, customers second, shareholders third. Happy employees, happy customers, happy shareholders. This is all a worthy aim. Of course how you veritably do that isn't telegraphed in The Idiots' Guide to Being a CEO with a Board, subject to all sorts of rules, Leglislated Across Two Continents, that Answers to Shareholders in a Very Financially Focussed Manner, Every New Year's Eve." Assuming, one day I manage to find (or write) that book, the thing about employees is that, like me, they are people.

People are different. They want different things. They are of different ages. They are from different places. They grew up with different attitudes and ideas. They have different ambitions, talents, and social constructs. They differ in decisiveness, risk acceptance or avoidance,

experience, enthusiasm, and cynicism. They value different approaches to utilitarianism, altruism, and their use of euphemism. They have different personalities, different pressure points, different squares on the Myers-Briggs, and different ways of dealing with conflict.

It's inevitable then that everyone is not always on the same page. Of course, we have to all work together. And we have to work together productively, and profitably. When this doesn't happen naturally it does get me worked up. It's the least desired part of my role: me having to come in and be last resort to try and mend a working relationship. Sometimes it just doesn't work out, and people leave. That's fine. They say people leave managers not jobs. That's a little disputable in this current labour-constrained market where some people are simply moving to the higher bidder. But no doubt often there is some truth in it. Whilst as CEO I have not yet had to initiate anyone's replacement (no Donald Trump firings on my watch!) everyone is replaceable, including -especially- myself! The good news when someone leaves is it provides an opportunity for someone else to step up. Or it provides the business to retest its course and direction in whatever field that person worked in.

For those that do drink the company cool-aid and those whom I hope don't buy into this 'quiet quitting' nonsense, I am there for them 100%. They get 100% honesty from me. Yes I expect performance through best effort and leaving few stones unturned when difficulties arise. If the resource is an issue then go find the resource! If something ain't working then go try six other options! If something needs to be improved, well after you gasp and moan, go do some work and propose some solutions to whomever you report to. If that doesn't work tell me. I expect all of us to do the mahi and make the decisions we are each enabled to (and that authority is unfortunately sometimes in flux).

In return (its not an obligation though, its my pleasure), I provide unlimited access to myself and full transparency. Having an open door policy didn't work so I literally tore down my office wall. I fight for what employees are worth and I am there as a mentor – if I can add any value but for some you were hired because…?. I fight to make peoples job easier through reevaluating processes and tools. Sure, I am often hampered because the planets of one, two and three described above never always align. But that's just an easy excuse – my job is to alter gravity!

Yes, I am naturally seen as the backstop or wicketkeeper, but I'm not going to pad up if I think the person can handle or sort it themselves. I often quip something like " If you cc me in this email, expect a response if I don't agree with something, or can't help myself to suggest a potential improvement, so best not to cc me and sort it yourself!"

And I don't like to standout above anyone in the team. Yes I do a bit of grandstanding on LinkedIn but that's not to steal team members thunder or take claim to the success enabled by others. That's to fight for a cause, to proudly celebrate how the team have performed or to debate and learn more for an improved future (whether personal, our business or NZ Inc). Not really a sign of humbleness but I had a mental block around the word '*Chief'* and its connotations of being the leader. A *'leader'* (for as Bob Jones wrote, implies followers, and followers are not who I want to *lead*!). In a similar vein, for a long time I didn't put CEO on my LinkedIn profile, my business card or my email signature. I didn't refer to myself as the CEO – I would say "I work for Universal Homes". Problem was, for practical purposes that doesn't really work. It leads to confusion as to what you do in the company. Who the hell is the real CEO and in charge people would think. It wastes time, because the next question inevitably is ' What do you do there?'. Worse it looks like some sort of stupid humble brag. So CEO it is.

As someone conscious of leading an organisation (lets face it, with a board, an exec and many managers all capable in their fields, at best I am only helping to lead) I aim to provide instant feedback. I dish it up when it's warranted – positive or negative. Sometimes too instant and uncontrolled. Maybe a little blunt at times. Yes, we have a whole formal performance review process but look Kiwis don't really take to those sorts of things that well. Especially when priorities and targets need to be moved around. So I just spit out exactly what I think at the time – straight up to all the management and exec (and for that matter the board). Maybe, occasionally, I exhibit a little self-control and EQ to those troops down the line.

Look I will never be able to navigate this human-led complexity with the grace of Nelson Mandela. I think I have come some way but I am still a work in progress!

Five. Health and safety is paramount and far reaching. Actually, it's daunting. It should be, as running a construction company naturally involves physical risk. Property development is stressful and missing deadlines have big ramifications. There are so many aspects within the H&S banner, it's massive and the requirements put on companies and Directors growing. I get great support from all levels in H&S. But man, it's huge. That is why our H&S vision mantra plastered everywhere is simply "Health & Safety is the foundation of the way we work, everything, everyone, every time"

Six. The vision. The business books say, the CEO sets the vision for the company and puts in place the strategy to realise it. Then they must communicate that throughout the organisation to ensure maximum buy-in. Then with everyone on the same page you go deliver.

Easy.

So I did a big Vision presentation within the first three months to the entire team, based on what I had told the board when I was told I would be CEO about six months earlier. A Vision No1 2025 and a three-step strategy to get there. It went something like this:

Step One: Survive Covid and whatever Covid was throwing at us. In Nov 2020, it looked like we were out of it so a big tick – at the time.

Step Two: Recalibrate and Build 2020. At the time sales were going gangbusters and starts were still on time and inflation was not known, so a big tick there.

Step Three: Progress and Growth 2021 to 2022+ And I had all the corporate jargon to back up what I was promising, plus a five-year plan with plenty of revenue less-cost generating numbers. Our numbers are pretty easy, land acquisitions, house starts and house sales. 2021 sales and deliveries were on fire, albeit by the end of the year and the dreaded Auckland lockdown delays were building up with design review panels and consents, often via zoom. How 2022 is transpiring has definitely dampened what we will achieve. The strategic plan to hit that vision is wobbling.

That Vision No1 2025 is open to interpretation and it was fuzzy in my mind at the time.

I now have a much clearer personal Vision.

In today's dollars: $1B revenue, $100m NPAT, 1,000 Home Settlements.

1/100/1000.

I don't have a timeline on it. I'm not going to stick in PowerPoint. I haven't really mentioned it anyone internally or externally except in passing. It's magical to some, ridiculous to others but

it's achievable to me. It's a stretch too far to plan unit by unit and make a corporate song and dance about until we get at least halfway there. But it's in my head, I think about it every day to guide how my feelings around success and failure and what really matters in the big picture. And besides 1/100/1000 is kinda catchy.

Beneath, or should I say supporting, that Vision we have a five-year plan (which changes every month at the moment given market uncertainty). Currently it shows us getting just over halfway to the vision. That business plan is widely distributed throughout the company and management and board meets monthly to go over it. It is fixed in the first quarter of the year to solidify our KPI's but then its a working tool to manage cashflow and market conditions. Those market conditions, the investment appetite of the board (which also changes, sometimes countercyclical), and especially our ability to generate house sales and buy developable land will determine how far we can go to achieve or exceed that five-year business plan.
Despite the business plan being a model for our cashflow requirements, it is a target to be beaten. And in development that might just mean a couple more big projects.

Seven. Stress. Pretty much you have to harden up and get over it. As CEO you get attention for your time from all directions. Now time is not the stress problem, I always feel like I personally have enough time to do everything.

I even internally chastise myself for not doing more: why haven't I helped hunt out the next deal, why haven't I improved this process yet, why haven't I convinced this board member of this, what could I help this team with etc. Of course, I also don't want to step on the very capable toes of those hired to do the work. And every time you try to write up a process, create a new procedure, or implement a fancy new initiative it takes time way from those employees just trying to do their job. Protecting their time is important – this is always a juggling act.

Time I have left in this world might be an issue, but no, day to day work time is not an issue that causes me stress. I am a bit of a geek, where I immediately deal with anything that is really business critical (and not just the sum of someone else's lack of planning multiplied by some else's ridiculous request). I keep a zero mail inbox. Everything gets filed. I look at emails no more than twice – one to determine when to deal with it, including right away, and another if required when I need to deal with it. I am reasonably organised in folders and where documents go, saving previous versions religiously (just like my subconsious forcing me to ctrl-Z every 18 seconds, the pain of losing past files permanently lingers in my memory).

So I feel like I have plenty of time (that might be a worry in itself, reread the part on internally chastising myself).

I also -at least consciously- don't worry too much about what has happened in the past. If something has happened and it was my fault, or responsibility or I just happen to be the person that has to deal with it, then no point dwelling on it. Fess up straight away and clear the mental road to sorting it out. I have learned the hard way, that almost nothing in property development gets better if you simply leave it. I have now learned the same situation exists with people conflict and lack of business alignment.

[As an aside, I am firmly of the opinion Zoom time exasperated lack of business alignment. You should see some of my instant meetings when a meeting starts off with a few people and to solve an issue (typically a misunderstanding or incorrect assumption) I leave the room walking the office or calling and keep dragging people into the meeting until we a) have solved in and b) everyone who needs to understand now does).]

This doesn't mean that I 100% ignore the past, or I don't ever wish I did things different in the past. Of course I am conscious of what has happened before and sure, often there are learnings to be documented to prevent repeating. But primarily the task in hand needs to be dealt with in the present to sort out the future. Once I make a decision, I'm happy with it. No point dwelling on it. Harden up and deal with it.

I do always think about growth, simply how can we build more houses and grow the company (1/100/1000). This seems to be set at a plateau of stress that doesn't cause too much pain, but like a mild twitch in the neck the stress of trying to achieve my internal ambition is always present. This is summed up by a recent quote I read " I don't fear failure. I fear being in the same place next year!" 'Place' in my mind being being our position of business growth.

Health and Safety, not so much a stress but a constant reminder to stay vigilant at all times. The stressful thing being, despite even if you have the best systems in the world, people on construction sites do have accidents.

What really causes me stress though is thinking about decisions. Not during the daytime when I am analysing what is best to do, or taking advice or formulating my battle strategy but at about 3.30am. I have never had a problem getting to sleep, but boy once I wake up and the mind is ticking, its very difficult to get back to sleep. And when that happens it might be 6am, good for another 30 minutes or so kip only!

Now my problem (yep another to add to the list) is my mind is not usually thinking about the big decisions, the life changing ones. You know the what do we do when the lights go off and the family has to Hazmat suit up for Covid and roam the waterless seabed armageddon type scenario. Nor finalising the seemingly impossible to agree road with Government that our billion-dollar development depends on. Nor stressing about what initially appear to be insurmountable obstacles creating delay and adding cost caused by design review panels, council and other entity consents. Or a lack of action in house. Or a disagreement in concluding a complicated deal. Nor do I stress about meeting KPI's or annual numbers. I'm narcissistic enough to believe I am doing everything humanly possible in that regard already including learning to improve.

No, what happens to me is I wake up and cannot get back to sleep because all my mind can think about is the damn seating arrangement in the office! Or whether I have enough socks for the gym, or did I remember to send that pretty much irrelevant email to so and so. There must be a psychological diagnosis for this effect. Now I do realise it only happens when I have big day to day decisions that remain unresolved, but could my brain please at least help me out by processing those at 3.30 to 5am instead of worrying about where someone might sit in the office, or taking the rubbish out!

I can make decisions quickly or take time. It depends on the time and the implications. I am there to make the hard calls, once I have figured out the best call I have no stress enacting it.

BUT, I'm often not the last man standing on the decision front. There is this thing called governance and also for some decisions an internal consensus required. When I am waiting on the decisions of others, especially given time is not a developers friend, I get stressed. If I am delivered a constraint, which I have no control over, that directly conflicts the ability to make a decisions I get stressed. And the first thing to go when you get stressed is calmness. The pressure of the situation or the obstacle in front rarely causes me to even bit a nail, but me waiting for a decision from others, with my outwardly exhibited patience of a toddler often

necessitates being straight jacked and muzzled. Calm under pressure yes. Calm whilst others unnecessarily increase pressure, not so much.

Though, as time goes on some decisions don't actually need to be made. Alternatively, things that were once urgent are no longer treated that way. Issues that are critical, you learn you might take some stepping back and really thinking through before addressing. New situations that arise are a decision making quandary the first time, but from then on simply run of the mill. I have also seen that what is actually *in* your control increases, the more times you deal with a situation or succeed in a breakthrough. A lot of it comes down to the quantum and variability of decisions that make their way to my desk each day. Whenever I am not in control of something, I work to find a way to gain control. Mostly, nowadays, I admit it's my fault if I can't find a way to control any influence, or situation. I want to be able to blame nothing else other than myself.

Here is what used to stress me out, and over the last two years I have figured out to manage:

- Pretty much any request to write an urgent non planned 'report' from the board (which typically means I have to get input from others or get others to do the report) . Now for most non critical (i.e. people health and wellbeing) reports I simply say, hang on, what priorities would you like us to drop to enable this? Let us figure out how long this will take and what resources I will need to devote. Now sometimes above will circumvent me and put this stress onto someone in the team! That stresses me out. Culturally sometimes this sort of behavior is impossible to stamp out, but boy I let the offenders know. And I encourage all staff to simply say, "not sure let me check with the CEO". And then I let the offenders know! If it is truly urgent, then I drop other stuff and either do it, or tell others to drop what they are doing (CEO reprioritisation) so they can blame me for the implications on their time) and they do it or we task it together.
- When people decide to move on. I used to take the brunt of it and a take a little bit to heart, regardless of who they reported to. Not that I was personally offended or anything, but that we have lost a good person who knows what they are doing. And I guess a bit of stress around, what are we going to do now? However, today its as simple as one second later and I think 'good for them', and then my mind goes straight to those who are still part of the team. Now do we have an opportunity for someone existing in the business or should we go recruit or should we reevaluate how we are doing this work? Is this an opportunity to improve ourselves as a team? We are great trainers in the industry so we lose some great people purely because their experience and success here sets them up for greater opportunities elsewhere, when we cannot provide a similar opportunity internally. Fine, I'm more than content with that. I must say though that my irremovable stress about growth does get a slight irritation when someone very productive, skilled, ambitious, no BS and nice does decide leave the barracks.
- A project failure. Look we are big and bad enough to have many projects. Let's take the good with the bad, learn from the bad and do the next one better (until inevitably) that results in something outside our control which turns it bad again. Easy to take this approach if you have lots of projects and most of them are successful. Much more difficult to stay stress free when it appears everything is turning to custard. Experience has taught me though – monitor cashflow and do everything you can to stick it out. One of the biggest lessons working for some of the country's preeminent private developers at the time, is their perseverance to stick it out, whatever it takes. Time heals in property,

just got to make sure cashflow intake is greater than the bleeding. Cashflow, cashflow, cashflow. The title should be Cashflow Executive Officer.

- Getting told off. I'll take the feedback, file it and keep doing this job to the best of my ability. What comes, comes.
- Getting fired. If actual performance doesn't live up to projected performance, feel free to take my scalp. Whilst that is being decided I will keep doing this job to the best of my ability and try to improve myself and where I can motivate and influence my team as much as possible. What comes, comes. But I will not be playing any corporate political brown nosing games, or trying to protect my patch using negative or delay tactics or throwing anyone under the bus. And I will not let anything stand in the way of me telling it like it is. The good, bad and the ugly. And my resignation letter is on the server anytime you want to issue it. I'm on dry land now and have burnt the ships!

And here are some of my pet peeves – which maybe I have toned down my reaction to them (probably not)- that cause frustration. Dealing with frustration is a stress. Finding a way through alleviates the stress. These also represent a lesson to myself to try steer clear of creating these situations or naively falling into them from my own actions:

- Having a meeting, the team making decisions and then some of the attendees want to relitigate the decisions again outside of the meeting.
- Agreeing a deal with a handshake, in good faith, actioning accordingly and then the lawyered up detail seeks to do everything to destroy it by adding conditions that are more onerous than the deal points, or simply changing the goal posts.
- Being instructed to undertake a course of action and then resource is withdrawn from under you!
- Victim mentality.
- Being deliberately opaque. Or remaining opaque after someone has asked for more transparency in order to understand.
- Failing to communicate decisions downstream.
- Hiding or downplaying anything significantly negative.
- Companies taking on your work, then coming to you three months later and asking you, the client to prioritise what you want out of them because they overbooked themselves.
- Telling someone after the deadline, that the deadline is missed. How about some advance warning so something can be done about it!
-
- Conveniently hiding behind bureaucracy – it's a war damn it, arm yourself with some options, jump in the solution tank and help me roll over the rules in our way!

Eight. Diversity, culture, values. The team I am currently part of now and in the recent past is a very diverse bunch. Ethnically, you can't get much more diverse. I don't plan to try and artificially manufacture the mix. Team culture is not something I have any intention of trying to control. We'll do the odd social event, celebrate employee success, have an Xmas do (2021 first time

ever couldn't do it!), and put on lunch. There is a social club run by some of the team on their own accord with their own employee sponsored funding. I will facilitate whatever initiative the team wants in this inclusive space. But its a business first and foremost so let's not PR spin it otherwise. I'm 100% open to anything with zero exclusions – isn't that inclusivity? Values, well you should already be able to infer that from this memoir thus far.

Nine. Improvement. Everything can be improved. Focus on the incremental rather than looking for the silver bullet. Change management is difficult. And does something warrant a change? Nonetheless, when something requires change, that goes to the heart of a team members role, please understand, this will take some doing to get right. Often you will fail at implementing a change. All that means is you have to take another look at it and target the change in a different way. I earlier attempted to ban the words "But we have always done it this way". However, quite often there is a perfectly good and still practically valid reason. You get that in a company 60 years old. In danger of aging like a dinosaur, you do need to critique your business practices. That starts not by dismissing the status quo out of hand but by first seeking out, *why* have we always done it this way.

Ten. What I love:

- When a team member succeeds, on their own – whether its negotiating a deal, achieving a project milestone, solving a difficult problem or just doing their own job one touch more productively.
- When people work together, regardless of the differences, and make it happen! You can beat it when *your own* plan comes together: that's when the/a/your team make a plan, without you and it comes together!
- When an unsolicited proposal from within is put in front of me – that shows real initiative.
- When someone internal is promoted and they really take to their new position make it their own and demonstrate how they thoroughly deserved the opportunity.
- Working with others in the property industry to help improve it (or at least find a way to navigate the madness where legislation is involved). You don't need to be a CEO to do that, but the three letters does open some doors to get involved at a decent representative level.
- Starts, Sales, Settlements (the more in number and profit the merrier) and the exciting promise of where new dirt we acquire can take this company and the great team of people behind it.

So, that's a wrap. If you got this far I did warn you, now you know what sits deep in the recesses of this CEO's mind.

A Taxing Time: Developer or Investor March 29, 2021

A Taxing Time: Developer or Investor

New Tax Announcement

In March 2021 the New Zealand government introduced a new tax for Long Term Accommodation Service Providers (LTASP). LTASP commonly but technically incorrect are also known as Property Investors and often referred to, completely inaccurately, as Property Speculators.

I use this term LTASP based on the writings of Thomas Piketty, an expert in researching income and wealth inequality, who clearly states in his ground breaking book Capital that owning and providing a house for rent is a very productive service business. For me that puts that debate to bed (deathbed). Just as a supermarket as a business provides the human right of food, a LTASP as a business productively provides the human right of shelter – which enables it inhabitants to consume housing goods and grow their own productivity.

The tax is simple (although I suspect the final details at the end of the year will be very complicated): on existing housing you can no longer claim interest as a deductible expense. Your profit is now rental income, less expenses (excluding interest you must pay on the investment loan).

However, just to start to complicate things, this deductibility will still be allowed on new build property moving forward. How all the details of this working is anyone's guess -given by definition a new property eventually becomes existing. Therefore, the first investor of a new build may get an advantage, but when they come to sell it the next investor won't and will adjust their purchase price accordingly. That will have some impact on the new build investors willingness to pay a price in the first place, albeit the emotion of residential property and the thinking, that is 5 or 10 or 20 years off may not translate to any actual discount.

Hit a Nerve (in the butt, right below the back pocket)

That announcement sent me and at least 120,000 other people who are LTASP in New Zealand ballistic, not to mention economists and tax professionals who simplify could not understand the logic. A cashflow expense which you cannot deduct, now creating an accounting profit that the business owner must find additional cashflow funds to pay each year.

Put another way, anyone who runs a LTASP business (yep being a property investor in the simplified lexicon) that has debt on it will now have to front up with more cash. And that means to meet bank criteria for serviceability they will need to tap (or increase) more of their income to cover that new tax expense.

I may get into the dollars and cents of this financial perversity in a later post, as well as the implications and unintended consequences. There is plenty written about it, albeit not much without a doss of vested interest opinion or worst vitriol attached. Tony Alexander presents the best independent view here (in my view).

But, why do I care so much?

After a tirade of Linked Posts (on this vexing nuclear bomb of political ideology in action), by yours truly, people have been questioning – and I paraphrase with a degree of literary license:

“Why do you care so much about this new tax on interest deductibility?”

“You are in property development, your target market includes first home buyers, you produce new homes – they are all exempt? So why do you put yourself out there so much?”

“Why don’t you just focus on supply and promote what you have got – you could do so much better now- every investor in town will be hunting down your new properties and caps have increased?”

“You should be like other developers and congratulate all the new first home buyers that have been enabled and all the investors that may have previously only focused on existing prices?”

That’s because I am in the property development business, and on the face of it Universal Homes, and myself personally, stands to make more money if indeed this new tax increase sales activity in the new build space. The inference, is just shut and get on with it, your company could do much better than others out of all this.

However, I have my reasons.

A Table Full of Interest.

Everyone is biased and has vested interests, so let’s look at mine straight up.

My family runs a LTASP (remember I defined this earlier: Long Term Accommodation Service Provider) business. Yes we own some rental properties and my wife is CFO, COO, property manager and fund manager. I get to crawl under subfloors if a leak sprouts (only once so far) and send my income and net assets to the bank for assessing serviceability and security of the debt.

So quite obviously this new penalty tax costs me $ each year, that I will have to cashflow out of money that would have been used to reduce debt.

It also delays our ability to expand the business. Ironically, the next expansion intended to be a brand new universal home.

It also means -that since I am all-in, fully invested (not only in property, but mainly) with a buffer for the unexpected or presumably likely interest rate increases- that we will have to reduce spending (CFO has been advised) or cash out investments (last resort) or add debt (not happening) or find additional income….

The risk-reward retirement strategy might need a rethink as well, although I’m intending to see this out with the properties we have, as I am sure there are plenty of twists and turns yet over years to come and like any good LTASP we have a long term investment horizon. The only properties this business has sold were two owned for 11+ years, and that’s because the business partner wanted to cash out.

Regardless of what you think, LTASP is a legitimate business, and it has the added benefit giving people a roof over their heads. If you knock that business you better look under your own hood first. I am proud to own property that I market out to potential renting occupiers and sign tenancy agreements promising them my accommodation service for a weekly fee. This is a noble business.

And a Tax Beneficiary?

However, I also work in property development building hundreds of the houses that First Home Buyers (the ones that need a hand, not the ones you have come home with a wad of greenbacks or sterling, pretending to be in financial stress buying a house when they are flush all over the place) want and do purchase. We also develop Kiwibuild and Axis which are restricted to owner occupiers. Many of the houses we develop also suit investors, albeit, in total our investors last year ran at only 17% of total sales.

So, Universal Homes could be a big beneficiary of this tax. Because this new tax aggressively penalizes anyone buying existing (although most of that is now already encapsulated as a one off financial hit to existing owners) whilst almost forcing new investors to buy new. So more people buying new, more people buying Universal product!

Rosy but still coloured with red ink.

Its not all rosy for new build buyers though – if you buy your first home, now you do need to consider who you might be selling that to in the future to maintain value. Because then the house definition goes from new to existing and the value of the existing will depend if you are in a more home owner occupier desirable location/product type or a more tenant occupier location/product type. i.e. the predominantly likely buyer in 3, 5 or ten years time.

Sometimes the predominant buyer will be LTASP, other times owner-occupier and others even split – think working/middle class neighborhoods for houses and increasingly terraces and units and lower rise apartments. Other times is skewed one way heavily – LTASP primarily in some lower decile suburbs and inner city apartments or owner occupier primarily in expensive neighborhood standalone homes and townhouses. I may expand on this later if I can find some data to support my assertion and see if it is making a difference over the next few months. It might just all get loss in the noise.

So the fact that you might occupy a home you buy yourself or rent it out is largely immaterial to what the market value of that property will be at the time you sell it (or for valuations on the way through). The market will determine that value based on location relative to if it's a home owner occupier area/product or a tenant occupier area/product. i.e. not all areas have the same home owner occupier versus tenantoccupier ratios.

With Universal product most of it is in that working/middle class demographic, that primarily suits owner occupiers selling to owner occupiers so Universal wins again. Although some suburbs over time do change, and a few out west that Universal built many years ago have more renters than owner occupiers compared to when they were first purchased.

All in all, the benefit I will get out of Universal benefiting from all this supposed extra demand is much more than the extra cashflow expense to the family LTASP business. So I should be a net winner, by a long way due to this tax – especially if I keep future purchases as new product and hold for a long time (which is always the goal of a prudent LTASP).

Passionately bemused

But, I still kick up a big fuss and are extremely angry. These are the reasons why I am bewildered with this new tax and think its simply a nightmare.

It's **illogical** to me and almost every real financial and tax professional (not just layabouts with an opinion). An expense is an expense. This new penalty tax puts LTASP into a new paradigm

that has no relationship to any other business. And if it was such a loophole, why retain the loop hole for a small proportion of new product and create a whole new two tiered system.

You (the NZ Govt) just **punished 120,000 families** trying to better themselves and their families under the legal rules of the day. In fact you drew on demonization in the media conveniently confusing investors with speculators to fuel the fury. You propaganded that investors were outbidding first home buyers causing home prices to rise. Well quite possibly, but no one really knows in an auction and it could have been other first home buyers outbidding each other. And what does that have to do with the other 119,500 investors who were no where near the auction room? And you did it with no warning, and you applied it to retrospective purchases and you said you were not going to raise taxes just six months ago prior to the general election.

Well someone needs to stand up for the middle class saving for their retirement, and their kids homes and keeping themselves out of state welfare. Many of these people are my friends, my staff, my associates. Some just purchased last year, spent money upgrading an old house so tenants could have a better environment and then get whacked with this burden.

The **unintended consequences** are loss of business confidence and faith, anxiety from all business and their employees on what is the next mess to be created in their industry, increasing costs and decreasing house supply and the actual effect on prices medium to long term. My hypothesis is any cost intervention hurts supply and will ultimately cause prices to rise.

To pay for the accounting profit, without additional revenue will mean cutting other expenses. This will hit retail and local tourism (as if either of them need that). Property managers will be made redundant and the owners will do that labour themselves. Worst will be all the financial and emotive stress – families will be ripped apart. Sure everyone should have a financial buffer for interest rate increases and the like, but quite simply this was unforeseen, beyond reasonable likelihood and stretches that buffer requirement to the next level. Maybe, just maybe there are few firesales…and that brings a lot of other issues in play.

Recent first home buyers should also be worried. Whilst in he long term I believe this will increase prices more than they need to, in the short term it could reduce house prices certainly in certain locations – especially regional New Zealand. Hey, but they are now existing owners so they don't matter – do they?

I will be immersing myself into what happens from this point on – a little less passionately and more academically, perhaps.

The problem is supply. Not the 120,000 families who own property providing a service to occupying tenants. These LTASP have met the tenant demand where the government and developers still can't.

And supplying is not getting easier. You can't pick out a group and lambast them when constraints imposed on supply has nothing to do with them. Sure they might sell to a first home buyer, but then a tenant misses out. I can tell you now for every home buyer there are multiple tenants waiting in most locations. Why not focus on proactive positive supply measures.

At Universal we develop and it is just getting more and more difficult. We have been promised funding, (once with an accompanying press palaver on one of our site) only to have that withdrawn a year later when the press were not around. We submitted shovel ready projects to

enable 1000 of ours and 13000 of others homes, but didn't make the cut! Still a year on few shovel ready projects have seen a shovel! We were/are ready to go.

The problem is also forward demand. How much demand has been brought forward with people who had no where else to place money or decided no point doing anything but saving to buy a home due to Covid? A lot I reckon. Only time will tell, but without a substantial immigration surge post vaccine, this demand (for buying houses) could fall off fairly quickly, and prices will reach their natural cyclical peak, and either flatten or fall. In addition the Government are buying properties for state tenants out of the market, further restricting new and existing stock for first home buyers. That is ok, but let's acknowledge that rather than fire all guns at the mom and dads (and men and women of whatever persuasion and family circumstance) LTASP business owners.

MOST IMPORTANTLY THOUGH

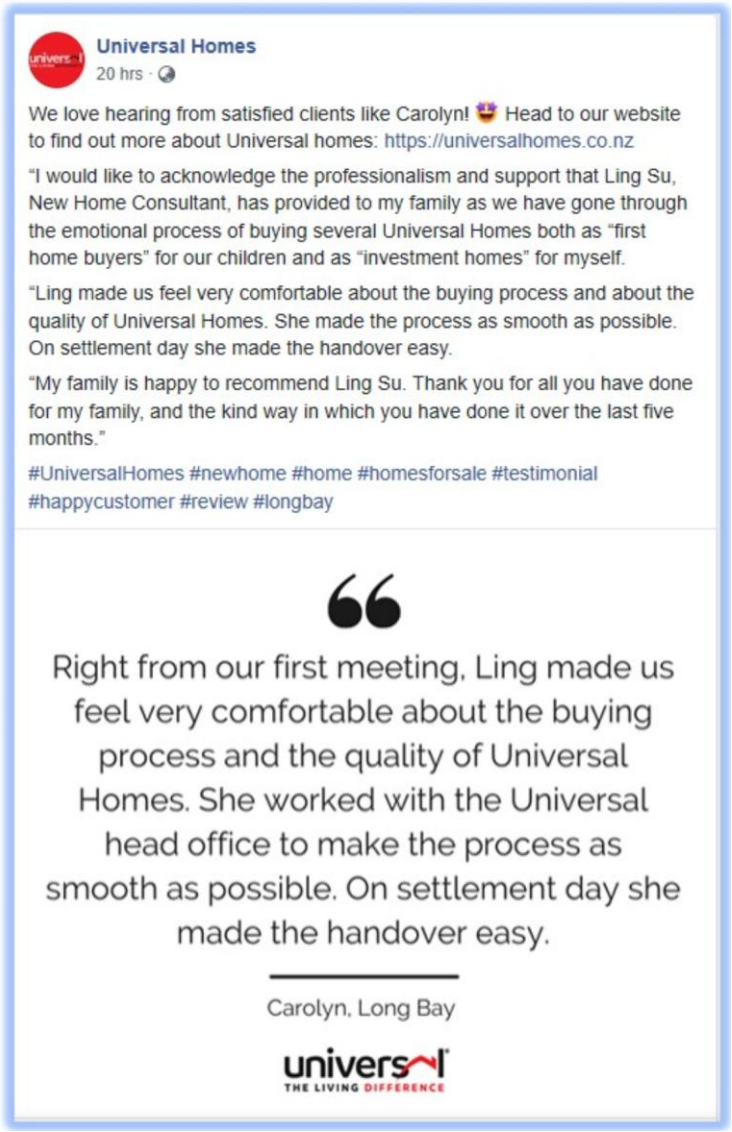
And this is why I am not going to now grease up the establishment and say this is a great tax for the interest of Universal homes to sell more homes or to promote ourselves as hand in hand with the government on this one. The fact is we don't need to and we already have a great relationship with Kāinga Ora and build plenty of Axis and Kiwibuild homes. So **we are already decent provider to first home buyers** and – at least last week – can't build fast enough to satisfy demand.

But MOST IMPORTANTLY it's the disservice to Universal customers of the past that really irks me. 60 years of customers and now many have to go through this new penalty tax. They brought a home fair and square, some only a couple of years ago and now they are being asked to pony up cashflow on imaginary accounting profits. Or when they sell, they are at the disadvantage of selling an existing house -with different tax rules – now a newly created second class citizen to the next batch of new builds we deliver.

What's to say our Universal new build customers of tomorrow, now at great advantage to Universal new build customers of just last year, won't have a rule change also thrown in their face!

These are the customers, them and the 20,000 ones before, I and all the staff of Universal care about.

Just like Carolyn, from Long Bay, someone who cares about her children's future and her financial security – an update I received just hours ago.



NZ Government (and all you keyboard warriors who wouldn't know a doorknob from your own...) don't dick them around please. Past or present. Sort out this tax in the detail, so it is at least not applied retrospectively.

Remember, there were supposedly no new taxes.

Separating the Fun from the Crowd February 29, 2020

Separating the Fun from the Crowd

I have been doing some research into the crowdfunding of property developments lately. A recent LinkedIn post led me to a thread of propertytribes.com that rekindled my interest, now that some of the (dirty) water has flowed under the highly leveraged bridge. One highly PR focused developer, the poster child of the online development funding scene in 2016 and 2017, had some of their projects come a cropper and investors are nervously waiting for not a return ON capital, but a return OF capital. As I researched further I read story after story from crowdfunding investors many ignorant of the risk and few appeared to know the questions to ask to undertake proper due diligence on their crowdfunding investment.

The last time I wrote on the subject (here) was in 2014 – boy time goes quick. Some of those links no longer exist. Because the virtual space changes so quickly I am not going to provide links, just google for crowdfunding property/real estate developments.

The first thing is there is a difference between investment-based crowdfunding and loan-based crowdfunding.

The latter should be at least, be a loan with a preferred return that is secured by the hard asset that you are loaning on – the land and construction on top. That will always sit in priority behind a development loan from a main lender- if one exists- but should be in front of any equity investors.

The former, an investment based crowdfunding opportunity, is really a plea for hard cash, equity, secured by nothing more than a promise to make a profitable property development and have enough profit left to give you more than you put up.

Whichever one, you should understand property development is highly risky and do your homework. If you have never been involved in a property development, then I just don't think you can comprehend the risk.

Now some of you out there might like a bit of a flutter. Roulette and racehorses, poker or penny stocks. You could even be one whose risk disposition enjoys getting in early on a pyramid-scheme, being of the mind you will get out with enough cash to purchase a chateau in the Pyrenees before the base inevitably collapses. So for a measly 5k, 10k or even 500k be my speculating guest and play the numbers without doing too much investment analysis – invest widely and shallow or just do it: put everything on green.

But for those of you who like to research where you are putting your hard earned savings and don't know the developer apart from a slick online presence, here we go.

The questions to ask of the project and the developers behind it when conducting due-diligence on investing in a crowdfunded property development.

1. Why are they crowdfunding the project? Yes I know it's obvious they want to raise money, but why can't they raise money via lenders or other investors or use their own money? The answer could be purely financial – the developer can raise money cheaper via the crowdfunding platform – i.e. put another way you are receiving a return less than more sophisticated investors would require to invest.

For example, even if you are getting a fair and proportional share of the profit, other sophisticated equity investors might also require a preferred payment, like 5% per annum, that is paid as a project expense before the profit is divided up. It might be the hassle factor – it's simply easier and quicker to obtain financing from a crowdfunding platform than by going through the rigorous due-diligence demands from professional equity investors. The answer could be more worrisome – they have tried the other funding avenues and no one will lend them and/or this project the money! Or worse its their first project and they have no idea where to get funding from!

2. Have they any of their own equity in the project? Can they prove it or are they using the crowdfunding to buy them out, before they have even started? Now, skin in the game is often a prerequisite for any venture capitalist – and that's essentially what you are since every development project, by definition is a new venture (as opposed to say investing in typically the much less risky commercial office building with existing tenants). You want to find out if they have hard cash in this specific project, it's just one more incentive for them to perform when the going gets really tough. A key point here is 'specific project'. If you are investing in a commingled fund (multiple projects), in which the developer does have cash, it is much more difficult to see which projects have more of the developer's self-interest at heart.

3. Is the developer experienced? If yes, then that is a positive. Dig deeper. Are they experienced in exactly the type of project they are promoting for funding? Experience developing two lot subdivisions has next to no relevance to developing ten attached terrace homes let alone a thirty unit apartment project. The risk profile and operational nous required is magnified substantially. Converting a large warehouse to smaller tenancies is not the same as building a brand new office development. You don't really want to be funding a developer who knows not a lot more than yourself.

4. But do you trust them? Do enough research so you don't have even think about that. Trust me, trust is not enough. When the crowdfunding platform provider says they have professionally vetted every deal, then since it is so bulletproof, are they also going to **guarantee** the return? No of course not.

5. Has the developer had any hard knocks? Those who haven't can often develop an ego and get tunnel vision letting their optimism blind them to the realities of development risk. They think they can control all the risk and are the master of their own destiny. Few can forever. A developer who has been beaten up a few times, and through a recession or two, comprehends risk and reward much better. No developer of any longevity has always only ever had successful projects [feel free to correct me if I wrong if you are the exception!].

6. How much does the crowdsourcing platform charge the developer? With technology, you would think it isn't too much, and they are actually enabling cheaper development finance without changing the risk-return profile. But if it is substantial ask why.

7. Is the crowdsourcing platform provider also or has been a traditional property development lender? i.e. have they been doing property development lending for a long time and they have essentially just tech'ed up. If so, that's a big positive, because they will (should) better appreciate the risk and only take on better projects.

8. Is this crowdsourcing platform successful? I mean regardless of project risk, what is the risk to your money if the platform goes bankrupt? There should be nothing, bar a small interruption to project communications. And if the platform owners and the developer are one and the same, is this clearly disclosed? If there are only one developer's projects advertised on the platform, then they might as well be one and the same. Or is the developer using the pretense of a third party or respectable intermediary to entice you to part with your money?

9. Many sites show the investment success of past projects online, all those pretty pictures makes a great testimonial to encourage you to dip into your pocket. But there are a few things to consider. One, just because lots of projects are fully subscribed, doesnt mean the project will be a success. They are there intending to convince you to join the herd: lots of people have invested and so should you. Ignore those, they don't tell you anything about project success or if the return on your investment is appropriate for the risk of the project. Two, for the projects that have closed – and investors have been paid out – identify the ones that are actually property developments (as opposed to existing assets) and had terms similar to the project you are thinking about participating in. A project wanting finance before consents have been issued is riskier than one where a consent has already been issued. A conversion of a heritage building has a different risk profile to a ground-up development. A commercial building with a tenant signed up is less risky than one where the developer has yet to locate tenants. Three, ask the provider to tell you about any projects that were not successful – good luck at getting that info though from an artificial intelligence-powered chatbot!

10. Talking about talking, does the investment specify regular communication reports, so you can see project progress? They should, and the report should tell the whole story. I would expect to know how my investment is performing along the way. For main banks lending on construction it is called a monthly drawdown report, timed not-surprisingly before the bank will release funds to pay the big bills like construction in progress. Or put another way it's like half-yearly report season in the stock market. Unfortunately, you might not have any secondary market to sell your shares if things are going poorly, but at least you can psychologically and financially prepare for a loss, or attempt to make some noise to rectify the situation.

11. Where do development management fees sit? Yes, the developer makes their money based on the profit of the project, but typically they will also want a preferred expense to pay them for managing the project. It could be called project management, project administration or a development fee. And if it's in the expenses it gets paid out, before the profit is split. So after the final wash-up, even if the project makes you the investor no money, the developer may have had a decent feed along the way. Whilst it would be good that the developer only gets paid out of profit, it is a legitimate expense and should be shown. Just make

sure it's not an exorbitant cost for this type of project and reflects the actual cost of people's time doing the work, and not another profit center that effectively dilutes your potential return.

12. What other related party costs? This is where sophisticated lenders take a very hard look at a developer's financial feasibility. And so should you. You want to know exactly how many fingers the developer has in the development expense pie. Every additional profit center could dilute your project profit especially if costs 'escalate' during the project. For example, is the land being provided at cost, or is it based on a higher (or even pumped up) valuation? The developer might be making all their money on this one element alone, and who cares what the final project profit is. Fair enough if longer than a year has passed between buying the land and putting it into this crowdfunding investment. But just be aware. A huge jump in land valuation, in a short period of time, without any added value being applied to the site (like consents) should be challenged. Even with consents, make sure the land is worth the higher amount – ask for and read a professional valuation/appraisal. Other examples to watch out for: is the developer also the builder, and taking profit there? What about the sales agent, does this developer sell inhouse? Or a key supplier to the construction? Developer's partner the 'interior designer'? Brother, the engineer? Or is there a 'finance arrangement fee', paid to none other than the developer? There are plenty of places to hide developer profit centers. If everything is disclosed and you accept they are a fair rate, then fine.

13. Fixed contracts. Following on from the point above, even if they are a fair rate, and you are happy with the developer clipping the ticket in multiple line items are the costs capped? Fixed fee agreements and contracts as much as possible are a must. But in the construction of private development projects, I hasten to say there is really no such thing as a fixed price. And if the developer *IS* the builder, then they are probably quite amicable to construction variations! (If you don't know what a variation – or change order – is, then please reconsider investing anything into a property development!).

14. Is there a bank loan for construction/total development costs on the project? If so what are all the terms and conditions? Specifically, when does the loan have to be paid back? What is the Loan to Value ratio? And who is the lender, what is their track record in property developments? Are they are related party to the developer? Do they get a cut of the profits? And is there a second lender on the project, perhaps a layer of crowdfunded debt? Or high-interest mezzanine funding – which itself adds further risk. And make sure you know if profit will be shared with lenders before you get your cut.

15. What security do you have (and this varies by country, learn more here)? Is your investment secured by mortgage a registered charge, a pledge or a lien. What about quasi-security like bonds and personal guarantees? Has or will the contractor put up a cash bond – they can become life savers if the contractor goes bust (doesn't happen you say!).

16. Can you see the detailed feasibility? And I mean detailed. Now if you haven't been involved in property development it might not make much sense. Sure if

may show a glowingly high 30% Return on Cost at the bottom, which translates to a whopping big return on equity, if there is debt leverage in play. But you won't know what is missing or even what is realistic. Is there a line item for contingency? Do the professional fees equate to a percentage of construction costs commensurate with this type of project? To understand you really need someone who has been there before to look over it. Believe me that's what the main bank lender will be doing. You could take the approach that if the lender has ok'ed the development then it will be fine. And there is some truth to that. But if the lender is only lending a low Loan-To-Value ration, say 40 or 50% of the total cost with full security and a personal guarantee that has some teeth to it (i.e. there are personal assets to go after, that aren't also within a personal guarantee for another loan) then they may not have done a lot of due diligence. At that low rate of leverage, barring a global financial pandemic, they will almost always get out fine as they are first in line to be paid back.

17. On the feasibility. If you only manage to look at two items, let it be these. Sale price and construction costs. The former is quite easy to analyze even for a layperson. Are the sales prices realistic in today's market? Look at your local online listing engine, compare this project to the competition – adjust for size and location and see if it stacks up. Better, ask for the professional valuation or appraisal for the project. And if there is none, that's a red flag on its own. If there is, then don't rely on just the summary. Look inside at the valuer's assessment of the competition in the body of the report. I will let you know a little tip for free (yes another one!), most developments only ever get out of the ground, because the developer is setting the market. That is their prices will be ahead of where the market currently is. The developer is hoping their project will attract the market setting price! I am OK with that, as long as it is not an outrageous escalation.

18. And construction costs. Unless you are a quantity surveyor or professional cost estimator you are not going to know if the costs are reasonable. But that's when you would expect to see a report from a professional quantity surveyor or cost estimator included in your crowdfunding investment due-diligence pack. Not there – hmmmm. Don't rely on a builders price on its own without a professional signing off that the cost looks right. But at least it's better than a developers estimate.

19. Pre-sales, does the project already have pre-sales? – that is sales or pre-leasing commitment before you have handed over your investment. That de-risks the revenue side of the equation, somewhat. It can backfire though because then you have a capped revenue, that can't rise with the market and if construction costs rise. This is a common situation with property developments that contribute to their downfall. I could go on, but no need, here is something I wrote earlier on the pre-sale dilemma. Although, make sure any pre-sales are legit – look at the sale contracts and discount any that are with related parties – like family, pets, or deceased relatives!

20. Schedule? Only a professional expert can tell, but is there sufficient float to allow for realistic timelines? Delays cost money, especially if there is debt leveraged against the development. And delays happen all the time. But the best

know how to set expectations and depressurize the development by setting a realistic schedule, that allows for some of the unknowns. Of course this always eats into the return, hence why so many schedules are so ridiculously tight. Remember, you are most concerned with the return you receive at the end of the project. What is said at the beginning is always only a guideline (and expect it to be optimistic).

Now about 17 points ago you may have said to yourself, is this degree of investigation worth your time? Only you can answer that, and it ties directly into your risk appetite and the sum you intend to invest. Look if its 5k or 10k maybe you can gloss of most of it and focus on the developer's success record and whether you buy into everything they promote to you online. Certainly, developers want to provide as little information as possible, and presumably, crowdfunding platforms want to interact with investors as little as possible – to keep their human costs down. But if you are ready to part with a sum that you can't afford to lose, then understand this: it is a risky business and you are supplying venture capital to a speculative activity. Property development is not the same as property investment. Not only might you not receive a return as great as you think but it is also very easy to have all your contribution wiped out. And unlike the share market, you cannot exit until 100% of the dust has settled. From what I have read, many crowdfunding investors don't really differentiate development projects from an already income-producing investment (an office building for example). But development is much riskier and regardless of disclaimers on the crowdfunding website and some flash videos with people driving flasher cars, unless you have been in the business, you simply can't comprehend the risk your cash is about to endure.

However, let's say you manage to get ticks on everything above. Even after all of that, property development is still behest to the mighty market. Flat or falling sale prices combined with rising construction costs, planning 'delays' and optimism bias are part and parcel of the development game. Margins can be wiped out in no time. Although also understand (otherwise, no one would get involved in the development business), in an escalating real estate market margins can be amplified – can your equity investment take advantage of that or has a cap been placed on your return?

So ask yourself this, does your pending online investment still sound fun? Is it still worth you following the crowd? If so, I hope you get the return promised, but please do not moan if it goes pear-shaped. You have been well and truly warned.

Andrew Crosby

www.developmentrisk.com

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300

home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years.

- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**
- Message me on LinkedIn at any time linkedin.com/in/ajcrosby. Gee I will even help you analyze your next project if you like.

PropTech 2000: CollaborIT February 6, 2020

PropTech 2000: CollaborIT

4:10am Beep, Beep, Beep. Like a hungover Ninga I rolled out of my future wife's bed in a small flat in Sandringham. Stumbling down the stairs my eyes found their focus on a flashing luminescent green screen of a Nokia 3210 cellphone. The stop loss trigger had activated on Nasdaq listed CMGI. My shares had been automatically sold, but not before taking a horrifying fall. I had purchased it at just over $150, and now it was less than $50. I was wide awake now.

'What did this mean?' I pondered as I downed my breakfast ritual of 2 Diet Cokes, albeit a little earlier than most days. CMGI had been the best performing stock in America. They had the perfect business model – they invested in Dot Com companies.

'Oh well, this sure bet tech thing is looking a little like how some property developments end up. Burned.'

'CollaborIT is different though,' I thought. 'Our customer base is growing and it is gong to be amazing once we launch in Chicago.'

...

Less than a year earlier I had confronted my boss, Tony at Verve Cafe in Parnell over breakfast.

"Look, all my mates are going to London to work in finance and tech. They are earning huge amounts of money. And to be honest I am a little bored and frustrated trying to coordinate contractors and consultants on our projects. I want to go to the UK."

I had only been working in property development for a couple of years, but had become more interested in technology. At night I self taught HTML and Cold Fusion coding. I built a website for Eden – in 1998, as far as I could tell, it was the second property development in New Zealand to have its dedicated own marketing website. I started a business with my flatmate and we started building websites. Our lawyer was one of the first to buy. I was the property development manager slash website guy.

But by this eggs benedict breakfast in the Spring of 1999, I wanted more. I truly was frustrated with the inefficiencies of property development.

'Why couldn't architects figure stuff out with the engineers without calling me?'

'What do you mean you don't have that version of the drawing?'

'I gave you that variation request last week, where is the answer?'

All too common words in the property developers vernacular.

Tony sat there, expressionless, I imagine expecting a Dear John resignation.

"But," I started to continue.

"But?" Tony replied. I am pretty sure he was thinking I was about to ask for a raise, using the going to London thing as some sort of juvenile employee leverage.

However, I was serious and finally brave enough to broach the question. “Tony, what if we – you and me – do our own Internet thing. That keeps me here and who knows what we can do?”

And like a true bona fide entrepreneur, one who I am eternally grateful to for that opportunity, without a second of thought he replied, “Sure, 50/50 You can wind down everything else you are doing and come back to me with a proposal. What are your thinking?”

“I have no idea, but what if I come back to you with a proposal say a couple of months after Christmas?” I said.

“Sure.”

And CollaborIT.com was born. [Note: The url CollaborIT.com has since been acquired and in use by a company not related, in any way, to the business I started as we discuss in this article.]

Well that name came many months later.

I truly had absolutely no idea what sort of Internet thing to do. A few weeks later, I was on a plane home from the gold coast after celebrating New Years eve on the dawn of the 2nd millennium. Actually I recall we spent midnight in McDonalds in Coolangatta, because you could experience the countdown in NSW and walk out the back door, wait an hour and do it all over again in Queensland. Anyway, the inflight magazine had an article about an Interent service called Buzzsaw that had just launched in the States.

And CollaborIT had found its mission.

“Buzzsaw is one of a few new applications that is using the internet to facilitate collaboration and document sharing in construction projects,” I said addressing the three others in the dark boardroom at the top of one of those towers along Symonds Street (New Zealand’s silicon valley of the day) one autumn evening.

“There are a few others also starting, including some guys in Melbourne with Aconex but they are focused on procurement as well and targeting contractors. We can do our own one and I believe the key to project collaboration, to make it successful is to get clients on board, the developers and the owners. Then, once they are sold on the concept they will ‘force’ everyone on their projects to use it.”

“Ok, we are in then. A Redwood and Greenwood Technology joint venture. We will build the software and sort out the administration and seek out further venture capital with our recently made American friends when we need it and you run it Crosby. Craig will help with business development once you have a product to launch,” Simon the CEO said. [Of course I am using some literal licence here, as the details of how and what we would do took months to figure through].

CollaborIT.com had a board, funding, a technology delivery partner and was in business.

Now the American friend, was the technology founder turned venture capitalist Chris Coffin who came to New Zealand with a view to take the America’s cup back to San Francisco. His money was made, if I can recall the story correctly, by developing email and modem software many years earlier that allowed bands on tour to get paid quicker, essentially on the night of their gig. Before his technology, it could take weeks for bands to collect their payment. He also was partly responsible for scaling the Palm Pilot when he worked at US Robotics in the 90’s.

With a substantial war chest in the hundreds of millions he funded the America True campaign, and whist in New Zealand planted seed capital in a handful of tech start-ups through his investment vehicle Vision Ventures. Eventually, Chris settled on one company that was pioneering SaS using a Citrix systems platform as well as building leading edge applications. Greenwood was providing Software as a Service, a dumb terminal linked to a central server technology – where you subscribed for applications and all your centralised IT support on a monthy basis. Yes even back in 2000 you could access all your applications via a cloud from anywhere there was an internet connection.

One reason for his angel investments in New Zealand, was that it was cheaper to produce software in New Zealand than in the United States, especially given the exchange rate at the time. Chris's view was, build and test software in New Zealand, where it was cheap and the isolate market represented a low reputation risk to trial new ideas. And then if an application showed promise, he would take it to the American and essentially the world via his headquarters in Lake Forest, Chicago.

CollaborIT had angel eyes looking down from a very high place.

So we built it.

The best way of describing CollaborIT is it was like a glorified online drop box for property development projects, with a twist. Not only could you access documents but you could also access software applications, using nothing more than a dial-up (remember those days?) internet connection and a basic computer.

That mean't not only could the architect upload the latest plans, which would automatically notify the project team via an email, text of fax* but the developer could then mark them up (red line) online to discuss with the project team in real-time. And every version was kept, and an audit trail recorded who did what and when. That way, there was no more 'Have you received the latest detail from the architect Mr Engineer?' because with two or three clicks you could check yourself. With some automated workflow integrated into the software, variation management, a big bug bear of mine as a young development manager, was enabled.

[* Yes CollaborIT was fax friendly. In 2000, in the real estate and construction game we worked in an interesting technology transition phase where I would print out emails to fax to people!]

Not only that, but with deals struck with Microsoft and other application providers, we could provide real-time access to applications without having the user pay for the entire software. Think of opening a Project schedule file or running CAD mark-up software without ever trying to install it on your computer.

The user interface was made as intuitive as possible. It looked like a folder tree on the left and files opened in a window on the right. And because essentially you were running software that normally ran on a desktop, you could drag and drop, create folders and do everything else in document management that was not so intuitive with a standard web based interface in those days.

One of my big learnings in software development, is you have to make it as easy as possible for users. Otherwise they simply won't use it. Another learning is that every feature you add needs to be carefully considered. Once they get used to it, every user becomes an internet mogul with a wish list of features. However, every feature added creates complexity for new users, and often puts them off. So we released new features very judiciously. In the end, we made the

features you had access to linked to your login, so advanced users might have the whole suite, and beginners, just the necessary functions.

Of course, and a unique selling proposition at the time, was if a user or a project had specialist software, we could make that accessible to all users. So CollaborIT had software within the software.

The business model was simple.

Primary revenue was generated from users who paid a monthly per user per project fee to access CollaborIT and a monthly per MB fee to pay for storage and bandwidth. The more projects and users the more revenue.

Secondary revenue was based on customization. As the number of projects grew, a third revenue source became apparent- consulting services to implement the system within projects and project teams. However, first we had to get a critical mass of projects online, and enough users familiar with the system before we could think about charging them a consulting fee.

The cost structure was also simple, CollaborIT was charged a per average user at anyone time fee and a per MB data storage fee. And there were all the normal expenses of administration and marketing and of course the capitalized cost of building the software in the first place, ongoing feature development and maintenance.

With enough projects fixed costs would be covered, and the fees were set to make a margin on each new user/MB and project.

Because I was an ex development manager, I and a few staff did all the user testing on pretend projects, pretending to be a developer, contractor or consultant on different computers in different places. Our first clients would facilitate the real user testing. And that worked out without many issues.

About a year after that boardroom presentation version 1.0 was built. Simon came up with the name ‘CollaborIT’ and we went to market.

I had to buy a suit. And a tie. I was transitioning from software development director to salesman.

We thought we started with a bang. Our very first meeting to demonstrate CollaborIT was with none other than Lendlease in Sydney. We finished putting together our sales presentation in the Symonds Street boardroom at about 2am, I went home for a few hours sleep and Craig picked me up to go to the airport at 6am.

Internet connections were not what they are like today. We had planned to test a few things in an Internet Cafe before the meeting, but we couldn’t connect. We didn’t know if it was an Internet connection issue or the software was down. Then came the meeting.

I can’t recall who we met, but he was high up in the organisation and in charge of rolling out the very concept of CollaborIT, online project collaboration, on their worldwide projects. What a whale of a client, if we could land them. And, the software worked well enough for us to bluster through a presentation that made it look like CollaborIT was 100% perfect.

That was the last we heard from Lendlease. But it gave us some experience and it gave us some confidence there was a real market out there for this type of product.

The next year, all of 2001 I was in sales mode. Phone calls, emails, meetings, presentations. All throughout New Zealand and in Sydney and Melbourne. In between scheduled meetings, I would don the suit and simply walk the CBD's methodically going to every property development company's office to try and make a contact, or if I was lucky to give a presentation on the spot. No LinkedIn back then.

My initial marketing strategy was:

1. Get the private property developers interested and sold on the concept. The benefits being saving time and money on collaboration, having an audit trail to track project and consultant/contractor performance, less printing as documents could be formally issued via CollaborIT and overall improved project efficiency.
2. Find a champion within their company who had enough power to influence/force others to use the system, as well as process and IT nous to 'control' CollaborIT – that's called a super user today.
3. I help the champion set up the project structure on the software and how they were going to use it and then they would role out CollaborIT on a test project or two.
4. I would ensure the key users (architects, project managers, development managers, engineers, main contractor) were well trained. Live trained, because every new user became a sales target. Most were doing multiple projects or had other clients with projects.
5. Momentum would build. We would use testimonials and champion CollaborIT advocates to convert prospects to users, and wala every private developer would be using CollaborIT on all their projects.
6. With a few projects onboard we would hit Australia hard – they had the customer base market size we needed. Surely we would convert them as easily as Kiwis.

It soon became apparent we didn't have enough resource to live train everyone and be able to rapidly scale the number of users. It took a long time to set the project up on CollaborIT. Not because of the software – that was super easy. But because when a project was set-up you had to think exactly how you would use it on a particular project and ensure that all who used knew their responsibilities. Otherwise it would just end up like a communal dropbox. People used it in different ways. Some simply used it for the online plan markup function. Others as a pure 'cloud based' document management system. My bluechips used it as a full integrated project management and collaboration tool.

Private developers loved the concept. Many were happy to get it going on their projects. The cost to value benefits were just so good, for any development manager who experienced on a day to day basis, like I had for two short years, the frustration of coordinating everyone and document on a project. But there were few champions within private developers actually willing to really enforce its use on their projects. And when a consultant or contractor moaned because they didn't want to use a new system, or because they had their own system, or blame internet connection speeds (horribly slow at the time) most would relent. So CollaborIT, as easy as we made it, was just a bit too hard for them.

But there was substantial success with government projects. There, the project director in charge, often had the power to make sure everyone did use the system. Some actually wrote CollaborIT's use into contracts and fee agreements.

With Super Power Champion Users like Shane on the Southland District Hospital Project, Derrick on Tauranga Hospital and Dunedin Airport, and others on 4 large Prison projects, the Northern Busway and wastewater upgrades we got traction. Plus these projects typically had the budget to justify CollaborIT to their boards and CEO's.

Other uses came out of left field. One law firm used CollaborIT to manage retirement village contracts. An investment bank used it in the due-diligence for a large global M&A deal.

It wasn't happening overnight but revenues were slowly increasing.

Then Chris made an offer. He would invest a substantial amount into CollaborIT for a substantial equity share. And we would take it to Chicago and market to America.

We mucked around a bit and turned down the initial offer, thinking it was better to build our user base up in Australasia first, so CollaborIT would become more valuable and we could demand a higher slice of the action. So we stalled.

However, even if we had taken it up it may have not come to fruition as by this time, the dot com bust was well under way. Chris would have been losing large back in the States and then later on, pretty suddenly he quit his investment in NZ. The relative exchange rate simply made no sense to continue developing software in New Zealand.

But I continued with CollaborIT. The software was a success on most accounts. Connection speeds still frustrated many – a problem with the Internet at the time moreso than our platform – but it worked really well. It helped development projects save money.

Two problems mean't CollaborIT never made it to a listing on the New York stock exchange and why I don't yet live in a modernist class box perched on a cliff facing San Francisco Bay.

ONE. I didn't make enough sales. Simple. My responsibility and I failed. In my defense were a few mitigating circumstances that we hadn't appreciated before we started.

New Zealand is a small market, and there simply were not enough big projects around. Private developers did not stick to it as I initially expected. Yes they could all see the benefits, but any hassle (and change means hassle for many) meant few would persist to enforce CollaborIT's use.

Each project sale took a huge amount of effort. It wasn't showing people how to use the software – that was relatively basic. It was setting up the offline process/rules in which they would use the software. Some architects would issue documents via CollaborIT and still send a printed set around – until this was explicitly listed in their fee agreement.

Some had their own internal software that meant they felt they had a double up of internal process to comply with. Others simply didn't want to adjust their firewall.

Some contractors simply didn't like it because it exposed their own contractual management misgivings. And they like the fact the variation process was a mess, it made their ability to make claims easier. I will always remember one principal client on a massive billion dollar project telling me the contractor had spent weeks putting together a multi million dollar dispute claim

blaming lack of principle responses to variation change requests as a reason for cost overruns. But for him, he simply printed out the CollaborIT audit trail and took that to court. And won.

Superusers, the disciplined ones that utilized CollaborIT to its full potential were few and far between. Probably like great project directors are often few and far between.

I couldn't convert Australians. Aconex, albeit targeting contractors moreso than developers, was making reasonable progress so there was some sort of competition. But they would of been facing the same issues above that I was. They managed to invest themselves through this and come out the other side a billion dollar company 15 years later. Face to face contact was necessary in those early days, and we needed fulltime staff on the ground to give it a good push – not just a fly-in and out guy. Still a few, mainly architects on international projects, like the World in Dubai became dedicated users. More would have come if I could have sorted the second issue out.

AND TWO. Our back-end technology was not scale-able. Now I didn't now this at the time and until very late in the piece but going with Citrix was a mistake. And so did the backend server costs. It cost us an ongoing fortune, so the incremental margin per additional user was not that much. In retrospect we should have done a pure website based application, and offered SaS applications a side product. But because how CollaborIT was built, we had to run it through Citrix and on expensive equipment in the cloud. Nothing technically wrong with Citrix, just at the time not cost effective to run to hundreds or thousands of part-time users on a development project. The backend server and date charges, well let's just say you could do it for one tenth of the cost today.

That extra cost meant we did not have sufficient money for more marketing, or full time staff to get Australia humming. Or to get the original investors fed. That's what we needed to do to increase the value so we could keep a decent equity stake before taking it to America.

In New Zealand, I don't believe spending extra on marketing or staff was an issue as I pretty much talked to every single developer, government entity and consultant out there, and simply made myself available without additional cost to anyone in New Zealand at anytime, in person. There were just not enough takers. Our conversion rate was too low. And our price structure meant it would never be a mass market product.

With enough users we would have changed the back end technology, unfortunately no one had the will or funds to redo it. Chris was gone. The technology boom had collapsed. Softbank didn't exist to throw squillions at it. By 2003 me and Tony decided that was enough, we had given it a shot, the concept worked ok, but CollaborIT did not make enough money. The business model and our execution was flawed. There was no appetite to continue. So let's move onto something new.

CollaborIT was transferred to its original namer. I went back to property development 101. And until this article I never really gave it that much thought or had much desire to do another dotcom.

That's why when I read articles and success stories from those who are making it in PropTech, like these fellas, emerging from the New Zealand market and going international I know how hard it is, and how amazing they must be. A decade ago I would have been jealous. Now I am just in admiration.

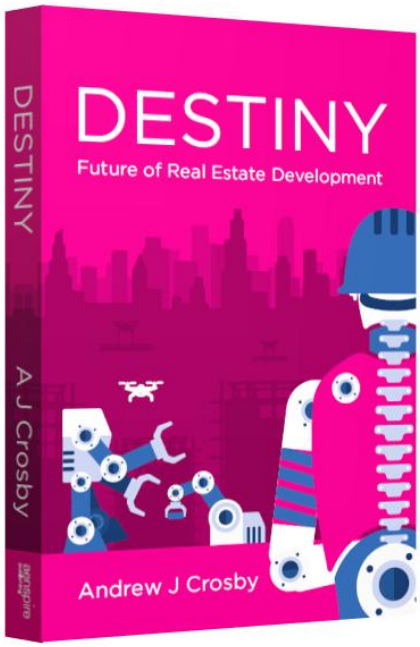
Here are the only two articles I can find about CollaborIT from almost 20 years ago. About the only thing else I can find from those days is a letter from Donald Trump, whom I interviewed for CollaborIT's blog at the time.

NZ Herald 2002

Bob Dey Report 2002

P.S.

Of course, Dotcom has turned into a proliferation of PropTech in recent years, so my interest has piqued and I have done extensive research into the 'next big thing'. That's how the book Destiny came about. Everything about PropTech (from the history of technology, to where it could go in the future) – related to real estate development and construction, wrapped up in a story about a developer from Chicago... If that sounds like a good read you can get a copy and take a free look at the first chapter or so here from Amazon.
https://www.amazon.com/Destiny-Future-Real-Estate-Development/dp/1095425676/



Cheers

Andrew Crosby

www.developmentprofit.com

The DC: Master-planned Projects #8 Selling the Dream Location February 1, 2020

The DC: Master-planned Projects #8 Selling the Dream Location

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

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The DC: Master-planned Projects #8 Selling the Dream Location

There is only one word that a master-planned developer likes better than "Sold". And that's the three letters that one day eventuates after it:"Out". Selling Out, with a sizable profit* of course, is the ultimate goal for any development. In a master-planned project that can be a long long time away. And there are many other differences between selling a master-planned and a one-off development.

[*Yes you can measure your profit in social good if you are in the not-for-profit or government housing sector.]

A Different Kind of Selling

In this book I describe four levels of real estate development branding: company branding, master project/estate branding, project building/use branding and location branding. For a one-off project, with a single-use (like office premises) you may not even need to mention your company, pay lip service to the location and focus solely on the product in question. But in a master-planned project, you are likely going to have to grasp different ways of selling at all four levels.

This edition will focus on location branding.

When beginning to sell a master-planned development you might not have a lot of material to start with. Selling a location that no one can yet see takes a vision. A vision to implant your dream, of the desirability of the development you are creating, into the minds of potential buyers. The further your project lies from existing infrastructure – that is the schools, shops, parks, places of work and play, motorway exits, ferry ports, train station and everything else that makes up a neighborhood – the more expansive the vision you must present to potential buyers. If you intend to develop all that as part of your project (aka your master-planned project is essentially a new suburb) then at least you have control of delivering this vision. But if your master-planned project is merely within a new or growing suburb then the vision you present has to line up with the reality of the social and physical infrastructure that may be created under the control of others.

Regardless, more than any one-off project which can count on the infrastructure and community that already exists, you must sell the location first and foremost.*

[Yes, yes, yes, of course, there are exceptions: Pioneering product – like apartments where only townhouses have previously existed – also requires you to 'sell the location', for that type of product. New developments in an area experiencing (or about to) gentrification will also require you to help people understand why they should buy or lease in this downtrodden location.]

Branding the Location

Before anyone even considers the product you intend to deliver, let alone the credibility of the developer and builders behind delivery, they have to be interested in your location.

A master-planned project (consistent with the definition as I have used throughout the master-planned project series) IS a new location. And if it's a new estate in the middle of the property desert – greenfield development, surrounded by actual greenfields – then no one knows this location even exists. Buyers won't be searching in your location so they may never get to see the property you intend to sell. The solution is simple, you need to bring this new location to people's attention. Sell them the dream location!

That is going to take a bit of effort and expense. Unless demand for your property product is on the parabolic upswing, where desperate buyers will sniff it out from cities away, expect to undertake a location branding and promotion exercise.

The first step of that location branding is to figure out what assets you have to promote. Borrowing from the accounting profession, the 4 line formula goes like this:

1. Take all your current location assets
2. And your current location liabilities
3. Calculate your location brand equity
4. Then, increase the location brand balance sheet by adding amenity profit

Location Assets. Why is your location the bee's knees for your development? Is it a growth area where buyers can get in early and watch the infrastructure, as well as their real estate values, rise over time? Or are you so far away from the smog and chaos of the city? Closer than others to the ocean/river/lake/forest/mountains? Do you have views? More comfortable micro-climate? More transport options to get to the city, shopping, and employment? Or are you in the zone for a great school (that's always a BIG asset ?

Yes, it's not just physical assets. Include social and economic assets and contemplate with a wide brush. Perhaps the area is in part of a winning sports franchise, has lower property taxes or favorable development incentive tax policies.

Get the team to think hard enough and you will end up with a list of dozens.

Write down everything that is great about each asset. Take some pictures, video, drone captures, produce a one-page case study, hold interviews to discuss the 'asset' with local celebrities and business people – whatever you can think of to build up the collateral of location assets. This will be well worth the effort and is important for your marketing promotion later on. Needless to say, make sure you take your target market (the buyer's and end-users) point of view. As a developer, you may have fallen in love with the knowledge that you have purchased a derelict timber factory and removed an eyesore from the community by flattening it to build a suburban office park. But will the tenants care?

Then prioritize the assets. That might be according to value, target market importance, wow factor, or whatever adds most benefit to your vision. The top three become instant forerunner topics for your key brand messaging when you come to promotion time.

Location Liabilities. It's quite probable your location has some negatives. Just being in a place that's new (or at least new for the product you want to deliver) for some will be negative. Less than desirable school zone? Surrounded by a lower socio-economic demographic than your target market? Lots of hills, and gullies, without views? Miles away from anything to do, like shopping and sports? Longest commute home into the setting sun on a one-lane crowded highway? High property taxes? Prone to flood/fire/slips? Site of a famous murder?

And again think broadly, liabilities such as restrictive laws on alcohol sales and restrictions on pets to protect native species might exist. Don't let your buyers be the ones that alert you to their existence, without a strategy to curtail their importance.

Document the issues that these liabilities create. Being well informed and aware of the bias against your master-planned project's location – before you go to market – gives you an opportunity to strategize how to deal with it.

Now prioritize the liability list in terms of their dream shattering potential. The top liabilities will be those most obvious and emotional. And they will be the target buyer's key objections to your development's location.

Calculate Location Brand Equity.

Now join the lists together. Log them in a spreadsheet, create a matrix, rank by colour – whatever works for you best to present and analyze the information. Here is a basic example.

Asset	Liability
Improving school	Low ranked school zone
Outlook	Gullies
Close to forest walks	Long commute
Nearby mall	Few trendy nightime dining options
	Old trash dump site
Track record of steady growth	
	No activities for kids

Want to take it further? Then assign a score or a weighting to each item, even a percentage of the target market that you think will find this a deal-breaking or deal-making issue. Then calculate the total score. You might even create your own elaborate Urban Development Rating Tool. Regardless of your approach, the process in itself will help you identify where there are gaps that need to be plugged. Sometimes the asset will easily offset the liability, and other times that might be a stretch too far. For example, being close to forest walks probably will only marginally offset a long commute. But a brand new regional sized shopping mall down the road could easily trump a lack of trendy late night dining options in the area.

The combination of the assets and the liabilities is your net location brand equity. If we take my simple example above, the more dark green and the less dark red, the stronger your location brand balance sheet is.

Add Amenity Profit to the Brand Balance Sheet

Amenity is what you use to plug the gaps. Amenity is all the social, economic and physical infrastructure that adds value to your location. Adding amenity adds location brand equity.

Unless you are producing a fully gated community I am talking about public amenity. Amenity that creates the fabric of the location, as opposed to being exclusive use for one building or a row of houses. So it's more than just part of the estate and often is external to the development. Whilst you as the developer most likely will have to pay for it, its usage or benefit will extend to the general public.

The approach to add amenity profit starts with three questions;

1. **What location assets can we enhance with additional amenity?** We could extend our forest walks to include a mountain bike track.
2. **What location liabilities can we offset with amenities?** We could negotiate with the education department to fast-track a new school. We could work with neighboring developers to complete the roading network to the freeway. And we could include some catalyst retail for a trendy restaurant operator. And by catalyst I mean help pay their rent, at least until things start pumping!
3. **What new location assets will be created?** Let's add a lake. A golf course. The grandest of playgrounds. You know a neighboring developer will be creating their own trendy dining and entertainment cluster. If you want examples from the residential space, of themed amenity verging on the absurd (or maybe genius) then read about airstrips and waterskiing here or Zoo's, Velodromes and Giving Trees here.

Some amenities to improve the location brand balance sheet will be under your full control. Whip out the credit card and start building tomorrow. But other amenities, especially the chunky transport infrastructure, will be subject to the decisions of government entities, the vagrancies of the local community and other developers.

Here's our enhanced balance sheet updated.

Exist Asset	*Plus* Amenity	Exist Liability
Improving school	New school confirmed	Low ranked school zone
Outlook		Gullies
Close to forest walks	New Rail Station proposed -by Council	Long commute
Nearby mall	Subsidised café and bistro enclave -by us	Few trendy nightime dining options
		Old trash dump site
Track record of steady growth		
	Adventure park proposed -by neighboring developer	No activities for kids

Timing of Amenity. Plans change. The market tanks. Governments are kicked out. The council runs out of money. A new Mayor with an opposite agenda. The timing of new amenity and infrastructure that is provided by others is a decent risk with many master-planned projects. New amenity being delayed, completely redesigned or not eventuating at all can lay waste to your best (and horribly expensive) plans.

So the value to your location brand of new amenity and infrastructure should be discounted by both risk and time. The longer a buyer needs to wait, the less value to them. For example, a new primary/elementary school zone due to open in three years' time does not hold much value for a family whose kids are ready to go to school next year. The proposed railway station that does not have government funds might only have a 50% probability of happening. The retail developer putting a shopping complex up next door may experience a market slowdown, delaying his plans – and shops for your buyers.

Don't Forget the Profit. How do you know what and how much amenity to add, and when to stop? Some will be forced by regulation but there are so many assets you could deliver to improve your location.

Go and ask your sales team what amenity you should provide in to improve your locations brand. You might hear them recommending water fountains, bronze statues, a theme park, tree-lined avenues, fully mature palm trees and of course a lake with accompanying stone bridge and restored steamboat.

"Great what else" you enquire.

"Well can we pay to add another lane to the road fronting our project? That will help with the early morning congestion."

"And an in-ground amphitheater, with olive grove and passionfruit plantation...."

Now, I'm sure this would more than likely add value, in a greenfield residential master-planned project or even a suburban office project but there is one minor problem.

Cash.

How much is it all going to cost? And am I going to get back more than I put in? That's why I term it amenity profit.

The decision to add an amenity to strengthen your locations balance sheet is a simple algorithm:

If **A > C *then* Y**

A: Additional sales income generated because of amenity

C: Additional cost of amenity

Y: Yes, do it!

To paraphrase: in total, will people pay more for your real estate product because of additional amenity than the cost of providing that amenity. Easy.

Well, maybe not so easy. Calculating the cost is not difficult but trying to scientifically extract the incremental value add from a piece of amenity – isolated from all the other variables that affect real estate pricing, aka the market – well, good luck with that.

"So Ms sales consultant can I get 15,000 per house lot extra because there will be a lake down the road?"

"Mr leasing agent, will I get an extra $100 per square meter in rental because we have included 'Japanese contemplation gardens' around the base of each building?"

There is a lot of subjectivity involved. And a lot of developers' artistic opinion. Any assessment of discretionary amenity (the infrastructure you choose to add, not obliged to because of planning regulations) must relate to the target market. Simplistically: the more affluent your target and the weaker the existing location brand balance sheet the more amenity assets you need to add. In low-cost affordable housing schemes, often irrespective of how little location brand equity you have, you just cannot afford to add many amenities. Sometimes when one comes to deliver all the amenity in the developer's vision, it's not a matter of delivering the dream, but that the developer is dreaming!

Mostly it comes down to what competition locations provide at similar price points plus your pioneering spirit and the corresponding depth of marketing budget. For example, 90% of the 50 top-selling master-planned communities in the United States in 2019 included a significant water amenity. Something serious to consider then, and probably enough data to approximate the lot premium achieved by providing this amenity to see if your target market pricing can justify it. But what about the amenity profit of 'The Incline' a 200-step outdoor staircase at the Meadows in Denver? or a BMX track?

A special note on cost. The design and construction cost of an amenity is only one component. If the amenity is on your project site, you have to account for the loss of Net Developable Area that is consumed. The profit generated by 50 more houses might be higher than the total premium achieved by taking out a hectare to build a lazy river!

And the time it takes to negotiate and gain consent from neighbors and the authorities, may also be a cost your project cannot bear.

Location Promotion

Then go forth and promote your location.

Promote all the existing assets focusing on the significant most valuable ones – the biggest drawcards to your location. Also, use those that are most interesting or unique which could lead to a great story in a marketing campaign and sales communications. For example, the site used to be an air-force fighter jet training base during WWII, or the famous poet used to live on a farm here. Once again, the angle has to have some buyer appeal.

Have the answers ready for the inevitable objections to your location. Do this for every existing liability and issue that has the potential to negatively influence a buyer's decision.

- How can you turn a liability into a positive? A 'cold and damp gully', becomes a 'wonderful shelter from the prevailing winds'. Or, a 'lowly rated school zone' becomes a 'The high school has improved students grades for 6 years running now'.
- Maybe it's best to ignore and don't bring it up, except in the normal process of sales disclosure. For example, if the location was previously an old trash tip or had high concentrations of asbestos in the ground (now remediated of course).
- Can you deescalate its importance? "Look whilst there is no train station close by, the bus network is fantastic". "Everyone who already lives around here loves the dining experience over there and Ubers back, no hassle, for less than $20."

Promoting future amenity and infrastructure that is still a glint in an urban planner's eye come requires stronger consideration. In the ideal world it all happens, on cue, and your sales team can set firm expectations in the minds of buyers – the dream you sell will become reality. However, when the provision of new amenity assets is in the hands of others, or the market changes dramatically so your pricing can no longer generate amenity profit (happens all the time, especially on master-planned projects that are not backed by deep pockets) the promised asset may be delayed or even terminated. So promotion of an amenity should not infer a promise unless you are certain.

As to the detail of how to promote, that's too broad for this article and I won't steal any real estate development marketers thunder just yet except to say the worse your brand balance sheet the more you are probably going to have to spend to generate interest. And in 2020 if you are a residential project, that could still mean old-school mass media like Television, radio, printed newspapers and billboards. As well as PR around open days, mayoral cutting the tape or someone semi-famous digging into the ground with a gold-painted shovel.

When to Promote

One strategy where you are creating a new project in the proverbial no-mans-land is to start promoting the location brand before you have product to sell. That could give you a head start in the market. Your promotion could frame it as the up and coming new location, and 'watch this space'. Or you may wait to start promoting until some of your amenity profit is created – like a golf course or catalyst retail. Then potential buyers can experience tangible improvement in the locations balance sheet.

Where cashflow and budgets limit substantial investment prior to receiving income then you may be forced to launch location brand promotion concurrently with the real estate products you are selling.

Revisit the Location Brand Balance Sheet.

Your location brand balance sheet changes over time. You are adding assets. New liabilities arise. Others complete infrastructure projects. So updating the brand balance sheet, say annually, can generate good information to drive your marketing strategy and promotional activities for the following year.

Eventually, and likely well before you sell out you may no longer have to promote your location. Because you are now a known location and all the asset improvements have been delivered. Excessively promoting something everybody already knows is going to have diminishing returns. At that point in time, your master-planned project is just an existing part of its greater locations fabric. But don't stop promoting your project!

A Note on Company Branding

Is the company brand so strong that location branding is somewhat superseded? This is when people buy on the strength of your company. Unlike most products though, real estate is firmly tied to the ground it sits on. So there are few circumstances where company branding will trump poor location equity. But once your location balance sheet is improved, if you are a well known and trusted quality deliverer of the product you promise, company branding can be a powerful stimulant to attract buyers and separate you from the competition.

And a Note on Estate Branding

In the largest greenfield master-planned projects – think new suburbs or an entire new town – location branding and estate branding are effectively one and the same. Therefore, a significant component of estate branding is the location branding we have already described. For smaller master-planned projects, now that you have burned the location into the hearts and minds of your buyer pool, you still need to convince them why your project is the place to buy or tenant.

In the next edition, we will discuss further differences in sales and marketing strategies for a master-planned project.

Cheers

Andrew Crosby

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years.

Message me on LinkedIn at any time
linkedin.com/in/ajcrosby .

- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Master-planned Projects #7 Scale Thinking January 6, 2020

Master-planned Projects #7 Scale Thinking

The Developer Chronicles: Master-planned Projects

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Master-planned Projects #7 Scale Thinking

We touched on the concept of scale thinking last time in relation to design. Most people would think about the opportunities that scale provides, but there are also the negatives, like 'at scale complacency' in design.

To start, we'll deconstruct the meaning of scale. If we assume a master-planned project is bigger and takes longer than a one-off project [according to my definition] then a master-planned project IS an at-scale project.

At scale means more than being physically big. Size is relative anyway. One hectare in Manhatten might represent 10 buildings to be constructed over ten years. That's a big master-planned project. Whereas one hundred hectares in Montana might just mean 10 lifestyle ranches, a relatively small project. It's all about the dimension of scale that you are referring to.

Scale Dimensions

No not the ones on a ruler! There are different dimensions to scale when you delve deep into a master-planned development. Often interrelated and all relative:

- **Size.** If one hectare is a decent sized townhouse project, then one hundred hectares of townhomes is definitely at scale.
- **Price.** A one billion dollar office park is scale compared with a twenty million dollar office building.
- **Unit Volume.** One thousand single-family homes is scale compared to fifty.
- **Time.** A project expected to take a decade is scale compared to one finishing in two years.
- **Repetition.** Three hundred custom doors is not scale compared to 3,000 of the exact same door. Similarly, one floor-plan replicated 300 times enables 'scale' more than thirty customizable plans replicated 10 times each.
- **Consistency.** Ten industrial warehouses a year, every year for twenty years can be considered at scale compared to 3 warehouses this year, twenty next and 2 the following. One house completed every 5 days, could be considered scale versus 100 houses completed in 12 months and nothing for the next six months.

- **Certainty.** If we know we are going to 'win' 10 tenders a year for an average of 50 social housing units each, is scale, versus having no idea if we are going to win five tenders or thirty in the coming year. Pipeline forecasts to demonstrate certainty of scale are often used by governments with the intention of gearing up public infrastructure industries.

Working the Benefits of Scale

So, what are the opportunities that scale presents?

Well, one of the most obvious would appear to be cost savings through bulk purchases. If you buy one widget at a unit price of $10, buying one-thousand might only be $7 per unit. That's because the manufacturer has managed to cut incremental production costs, and charge you less and still produce the same margin. Because you are ordering at volume, they might even sacrifice a little per unit margin, because the absolute margin is so much bigger. Economies of scale they call it. Wikipedia describes it this way:

*"**economies of scale** are the cost advantages that enterprises obtain due to their scale of operation (typically measured by the amount of output produced), with cost per unit of output decreasing with increasing scale."*

Take this example. You are developing a master-planned light industrial estate, including all the buildings. To spruce up the monotony of it all the draughtsman has gone all artsy placing a fancy art -deco style pattern set into one of the precast concrete panels on one wall of a building. No one pays any attention until the precast panel price comes back months later. That single wall is double the unit price the quantity surveyor had estimated.

"Why is this," the QS frustratedly asks the pre-cast supplier manager.

"Well to do that one-off design we have to create a special mold. That will cost us about ten grand to sort out. Every other panel goes through the standard template. So whilst we can deliver 100 standard panels at $10,000 each – a clean $1million- this special panel alone is going to cost you double the rate at $20,000."

"And if we go all Frank Lloyd Wright and imprint the design on every panel, what will 100 of them cost me," the QS curiously asks.

"One million and ten thousand dollars. Because we are now replicating the same design, from the same mold at scale, Ms. Client QS."

The QS ponders her companies business plan for the next five years on this master-planned project, before asking, "OK you priced me for 100 panels. But, what if I place a larger order for 2,000 panels, with 200 to be delivered on the first of March every year?"

After running the numbers the precast supplier manager calls the QS back, "If you agree to pay first-year price plus CPI inflation in subsequent years, we can pre-order concrete and materials, as well as lock in our delivery suppliers. That will get the first-year price down to $8,000 per unit."

That's scale (according to almost all of the dimensions we describe above) working for everyone.

In property development, cost savings and efficiencies enabled by scale can flow into different areas up and down the production chain. For example:

Design. One house that is to be exactly replicated 100 times in a subdivision only needs to be designed once. That's one architectural and engineering fee. It also means a cost-estimator only has to calculate the quantities once. It means pre-nail truss and wall providers, or steel wall fabricators only have to create one set of shop drawings. Similarly, one kitchen design and shop drawing, one electrical layout, one plumbing layout. One set of specifications.

Consenting/Permitting. In some jurisdictions, you can get 'blanket' consents for a house plan type. With that consent in place, each time you have a new house to be approved you only have to advise the variations to what has been consented. This can reduce building permit costs and the time it takes to obtain official approval. Consider an arrangement where you get a building permit for a blanket range of details and so long as your consent application only includes those details, you will be granted approval. One builder had an ingenious way of getting this scale-flexibility permitted. He had designed and approved one of the most ridiculous houses ever. Each external wall, floor, and roof junction had different materials. Think brick wall with an aluminum window meets weatherboard wall and a steel roof on one top corner and Cedar siding with a wooden window, meets weatherboard wall meets steel roof meets shingle roof on the next corner! With the improbable house consented, only details in new houses that were not in that original consent needed further approval.

Financial Feasibilities. We discussed feasibilities here but one thing we didn't touch on is how scale can be your friend when undertaking feasibilities. If you have twenty identical suburban office buildings, indistinguishable in location, then conceptually you have one feasibility replicated twenty times – barring some time-based assumptions over sale, cost and yield 'flation' (in or de). That is more efficient than doing 20 different individual feasibilities.

Further, for any building and/or super-lot it's not like you just get the architect to draw up a bulk and location plan and do one feasibility. It's going to take a bit of back and forth to get the most profitable (or at least fundable) scheme. It might take you a dozen times (if you are truly persistent to secure as much profit as possible). A dozen multiplied by twenty is a lot of bulk and location plans and feasibilities!

Partnerships. A large long-term master-planned project opens up long-term partnership opportunities. Who doesn't like to secure work for many years? With a bit of foresight and a little more work upfront this can make your project procurement and management processes much more efficient.

Let's take procuring a civil contractor, in a one-off project, like a subdivision of 100 houses. Typically you create a tender package (drawings, schedule of quantities, specifications) of all the works and send it out to two or three interested companies, that you have identified via consultants, your network, google or if you are lucky past pleasant experience. Then, with a few questions bouncing back and forth, you wait six weeks to get the prices back and work to clarify ('negotiate') with each tenderer. Eventually, you select one company for the business end of the negotiations. However, negotiation only gets you so far so you call the design team back to value-engineer for the contractor to find some savings. Finally, with a price you can live with, and your funders and/or investors agree to, you can sign them up. The next project comes along and you repeat the process all over again.

In a master-planned project, if you spend time to make sure your civil contractor has the experience and financial fortitude to handle the longterm commitment, once the first tender is in place and you have confidence in their delivery, you can effectively form a partnership. For

future stages of work rather than re-tender work to multiple parties, you work together to keep rates down and the incumbent gets the job. To some, this may seem counter-intuitive – won't the contractor simply add cost because the job is already in the hand? Well no, that's not a partnership. A partnership is where both parties collaborate (remember this) for mutual benefit. The civil contractor doesn't have to close up shop and start somewhere new, with a new unknown client. The developer doesn't have to risk a tender situation where everyone's rates have gone up because of demand in the marketplace or worse the industry is so busy no one else has the capacity. Of course, a regular stream of work (and prompt payment) is important to keep this partnership together.

The same approach can be taken with consultants, builders and suppliers. A master-planned project provides the opportunity to grow supporting businesses along the way. In theory the more dependent the partner on the developer's project arguably the leverage the developer has over that partner. But in practice, a couple of things counteract this. One, often on the back of a successful multi-stage project, the partner's business also expands elsewhere, sometimes becoming bigger than the project and less reliant on it. Two, overtime the developer gets lulled into the ease of dealing with the same partners and the partners, perhaps unconsciously, allow fee creep to manifest.

Insourcing. This can take a whole edition of the Developer's Chronicles on its own, but if you want to know more about the pros and cons of insourcing versus outsourcing now then I devote some time to it here. In short, with a project large enough, you might find it more beneficially (both for control and profitability) to internalize many of the project team. That can help team collaboration and streamline delivery. Of course, then you have to create a management structure, complete with HR and IT, office space and all the foibles of employer-employee relations.

A middle-ground position, often sat up for large infrastructure projects, is to rent office space, hire admin and create a place for the team to (co)operate. Rather than employees of the principal, the team member is seconded (se-con-ded) full-time from their respective organization to work for the project. All normal employer-employee relationships are maintained for each person in the team. The difficulty is that over time, it gets cloudy who is a client and who is one's boss.

Flexibility. Scale provides ample opportunity to be flexible. If your master-planned project suits a range of product types (retail versus residential, high density versus low density etc.) you can adjust your delivery to focus on the most profitable. You can also test products, perhaps via a presale strategy in some areas of the development whilst delivering in others. It could be that you completely reconfigure the output of your site to match the best market at the time.

Having a flexible strategy (and ideally funders and investors) that embrace what the market 'could' throw at you is important in all but the most plain-vanilla master-planned projects.

Kicking the Can. With a flexible sizeable master-planned project comes the chance to kick less profitable products down the road (often literally). This might be a valid strategy. If you believe in property cycles, that what is down today, is sure to rise back up tomorrow then there is no point persisting with a low margin endeavor when you can wait that out and concentrate on something else more profitable.

It might not be a choice. External variables like city officials changing their minds over infrastructure investment may force you to delay project delivery. Take for example the situation

when the city had agreed to upgrade a $10m intersection, critical to enabling your development's traffic flows, but now has determined it doesn't have the budget for another three years. On a one-off shorter-term project, such a delay can be crippling. You may have to stall the project. But on a scale master-planned project you kick that can down the road and change direction for three years to focus on other areas that are not affected.

Kaizen. Constant improvement. One-off projects, especially boutique ones take time and effort. Being one-off means the project is unique with a lot to accomplish to get it right. But there is only so far you can go before you run out of time. So you typically just manage to get it 'right-enough'.

However, a master-planned project that embodies scale can dramatically increase your resource capacity per unit. For example, let's assume that on a one-off building of 200 condominiums your project team has 1,000 person-hours to spend on above-ground 'thinking' or 5 hours per unit. Most of that time will be addressing everything that is done to get the plans and specifications 'right enough'. Say 4 hours per unit, 800 hours in total. Leaving 200 hours for improvement.

Now consider a master-planned project where you have ten of the exact same 200 unit condominium buildings. All-else being equal you now have 10,000 person-hours to spend. The team spends the same 800 hours sorting out the 'right-enough' matter but now find themselves with 9200 hours for improvement. That's a whopping 46 times the poor developer with the one-off project. Gosh halve it and halve it again and you still have ten times as much time resource to look for improvements. A wise master-planned project manager uses that time to constantly improve and refine.

With more time you can dig deeper. Whereas on the one-off project you might have had time to evaluate concrete framing versus steel framing, on the scale development you can also dig into the cost benefits of laminated timber or modular methodologies. Where you almost ran out of time analyzing the difference between poured in place versus precast shear walls on a one-off project, now you have time to scrutinize twenty different suppliers of the reinforcing mesh within that concrete mix.

With enough scale, you might have the time to improve every single nail and screw that goes into the project.

Scale working against you.

Of course, economists like theoretical worlds where supply and demand produce expected outputs and external variables don't get in the way. If there is one thing any seasoned developer knows, project success (or lack of) is all about external variables. And it's more about your luck in what external variables are thrown at you than your ability to control them! With scale, your risk exposure is, well, exposed. Let's look at the flip side of scale projects:

Land. One thousand homes, exactly the same – sounds like an architect's nightmare and a builders dream doesn't it? Whilst it is all very well and good to have standard house plans that are replicated, there is one little thing that gets in the way. This makes property development different from any other industry where mass production is available. And it is an important matter that many who proclaim offsite construction as the future fail to acknowledge. Every piece of land a house sits on is unique.

There are two facets to land that make every single parcel unique: location (via its legal boundaries), and its physical nature. Every single piece of land, the most important 'component' of a building is different. It could be shape, size, topography, soil bearing capacity, or a hundred other things. Every building that goes on land requires at least some customization. It might simply be mirroring the floor plan (and services, and foundations) to allow for solar access. Or it could require independently designed foundations specific to the ground conditions below. And depending on the cost of that, the building above may have to be built out of completely different materials. There goes some of your ability to leverage scale.

Resource constraints. Resources can be constrained when either the scale of your project is much bigger than anything else in the area, or when the industry itself is constrained. If you are about to develop 500 houses annually in a town that has never before built more than 300 houses in total in any given year, then the operators in that town may not be able to handle your scale. Likewise, if you are the first apartment tower in a city that has never built above three levels before, there may be no local operators able to service your supply chain. It doesn't mean you can't overcome this obstacle but it does add complexity to your project, Local developers with smaller projects may not have this complication.

As another example, take our precast concrete panel supplier from earlier. We have done a deal where we take 200 panels a year. It's at a great price. All about scale. 100ha next door has just come up for sale, so naturally, we acquire it and our master-planned project has now doubled in size. With that, we decide to double our build volume and request 400 panels a year, every year for the next five.

"That will be $12,000 a unit."

"What? Why has the price gone up?" the QS responds perplexed.

"Well, our factory's capacity is only 300 per year. At 400 you absorb all our available space and we will need to buy and fit out another factory. The cost of that has to be passed on I'm afraid."

This happens all the time in property development. Subcontractors, main contractors, consultants, council permitting offices, everyone in boom times experience capacity constraints. They simply can't do any more work – at least at a price that makes it economical for the developer. It also happens when a market starts to turn for the better before the construciton industry has had a chance to gear up. That's because resource constraints typically move in tandem with real estate market cycles. A scale project may prove difficult to scale-up-to.

Cycles. Supply is inelastic to demand in property development. Real estate is chunky. Take the residential real estate market. The market is dead, nothing is selling. Few houses are being built. Then it shows signs of life. Houses start to sell. Sales increase, listings increase – now that vendors can finally sell. Prices rise. Developers start to get interested. Price rises accelerate. Developers buy land and start building. But the problem is there are few builders around. Construction costs go up. Everyone from consultants to suppliers ramps up their prices in many multiples of the general economy's inflation. As build margins start to increase, more builders magically appear (many who have been hibernating in recession land since the last boom plus foreigners ready to capitalize). Prices are still going up so developers build as fast as possible. Eventually, construction cost escalation kills affordability. Price rises stop and may even retreat. Developers first refocus on lower priced product but eventually can't eek out a margin anywhere. Then a double whammy occurs, migration or immigration reverses, the economy

tanks and the housing market stops dead in its tracks. Once again few houses are being built. [Sound familiar to anyone?]

With this type of boom-bust market – typical of real estate in western growth cities for centuries – scale is both your friend and your foe. If you buy in the depression, and start building just as things start to pick up your margins could be on a one-way trajectory towards the treetops. But if you buy at the peak and start building as the depression is gaining downwards momentum, your margin and your massive master-planned project might grind to a halt. Then you have a painful wait (especially painful depending on your exposure to debt) until the market rebounds.

Political cycles can also influence scale projects. Carrying a large project – especially one with vested public interest – throughout successive local, state or national governments encourages all sorts of risk to materialize. For example:

- Local government can increase their development levies in tune with tax policy and public opinion – pro rates payer and your charges go up, pro-development and they come down.
- The planning and building codes can change. Whilst you may have locked in your planning at the outset, typically you can't lock in building code regulations until you actually are ready to build. Even with planning locked, the detail rules can change, and that might effectively make as much difference anyway.
- If your master-planned development involves any public-private partnerships like social housing, developing a school or creating wider area public infrastructure – then what the original political entity agreed to may not survive an election.

Funding. A master-planned project is bigger and is going to take longer than a one-off project. That means you need more money, for longer. More money might necessitate more than one money source. It could mean a consortium of banks and/or bigger banks. It might mean joint venture partners or multiple direct investors. You may have to start out without having the funding allocated to finish the project (never a terribly great idea). And you could be faced with changing (or topping up) financiers along the way. It all points to more paperwork, reporting, and equity-debt restructuring. It also means reporting to more sophisticated organizations, some of whom may not share the same risk-acceptance-profile that developers are accustom to. This can make funding all the more complex than a one-off project.

Front-loading Costs. A master-planned project by definition occupies a more expensive and/or larger piece of dirt. You have to pay for that – typically upfront. For the master-planned project that has grown out of strategic land banking (for example when farmland on the outskirts of a city is purchased, anticipating urban growth that eventually causes the rural-urban boundary to move, upzoning your site) your purchase costs may have been very low. Lucky (and patient) you! But for the rest, purchasing a scale project site is going to burn a few pretty pennies. And that incurs finance or opportunity costs from day one. A cost that can run for many years.

When developing a site of any significant size, it is likely you are going to have to pay for new public infrastructure and/or upgrading existing infrastructure – especially roads on greenfield sites. This can be required well in advance of completing sellable space. So you will need deep pockets to cashflow it.

Even if you don't have to build infrastructure, from a marketing and sales point of view you might want to. A tree-lined avenue and a picturesque park complete with lakes and playgrounds might

be the kickstart that your master-planned project needs to get sales. Once again, a lot of cash being spent upfront, well in advance of seeing the return.

Size. Bigger is better some would say. But not always. One of the problems with large-master planned projects is that they are simply so big. Amplification can hurt. When things are going well and sales prices for 3,000 homes increase 5% per annum your profits are going to soar. But if it goes the other way, you might be quickly underwater. This is no different with any property development project. But because you are more than likely to have funders from larger public organizations, they (or their shareholders) may be less willing or able to see it through to better times.

Another negative is when the size of your master-planned project dwarfs other projects in your area. Effectively you have all your eggs in one basket. Comparatively smaller competitors may be able to eat away at your market share by developing sites that don't have the infrastructure implications that your site creates. Scale does not always mean you can deliver product cheaper.

Time. Whilst 'time heals many wounds in real estate', the contradiction is 'the longer it takes, the more that can go wrong'. A worthy property development business model to reduce risk is to get in and out of the project in the same market. That's pretty much impossible for anyone to time, but the probability of timing it correctly is higher for a one-off project with a short duration (Note: I don't have maths to back this assertion up but it certainly feels right!). If your project is going to take time, and by my definition a master-planned project does, then it is going to experience different markets. Ideally, you start delivering into a hot and rising market, so the excess profits you initially generate set you up to weather any subsequent downturn.

Too Big Too Soon. Scale is great if you can handle it. Deep pockets, lots of capacity to create & manage resource and bigger picture flexible operational decision making is mandatory. Unfortunately, if you don't have those three ingredients you are quite prone to what Ian Cassels, a developer in Wellington, New Zealand surmises.

"We've all heard it before from Sir Robert Jones: "all developers go bust". I know I have heard it many times. I have my own version of this which is "if development for sale is your business then you're likely to go bust". – If more famous quotes about real estate development are your thing then read this!

And many of those who go bust do so because they have gone too big too soon. A couple of single-family home renovations turns into a terrace home subdivision. One project becomes five. And then in no-time, the billion-dollar deal of the century is stitched together, with bankers who have previously expanded their wallets and risk appetite on the developer's coat-tails. Problem is, the project needs all three secret ingredients, well at least enough of the first one. Few developers on the fast-track without cashflow to see out a downturn (and the mounting debt) transition well.

At Scale Complacency. Earlier we discussed the potential for at-scale-complacency in design. This malady of magnitude can permeate through planning, feasibilities, construction, sales and all things quality control. Thus, just because it's big, doesnt mean everyone can forget about the detail. One *little* issue, lots of times, can end up being a *big* collective issue. Or skimping over the occasional detail can add up to a sizeable lost opportunity.

Butterfly Effect. A decision made early on a one-off project could have ramifications but because of its limited time span and size, the damage will be contained (relatively speaking). In a large scale master-planned project a similar decision early on could, over years or decades, ripple creating unexpected and significant consequences. With all that traffic, bet you wish you didn't put that through road there now? Or why did we lessen our design standards so early on, now we can't capitalize on the profit potential of higher value product? Who would have thought tenants would demand that feature when we committed to this? And so on. Of course, this is a problem without a readily apparent solution. Suffice to say it pays to think thrice about the implications of the decisions you are making today and how they could impact overall project profitability and success.

Getting Kicked in the Can. Whilst having the luxury of kicking the can down the road is appealing early on, someone has to pay the piper eventually. And time may have not been the original problems friend. Because problems in property development never seem to fix themselves, maybe addressing issues head-on when the surface is the best strategy.

And that will do us until the next edition.

Cheers

Andrew CrosbyR

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .
- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Master-planned Projects #6 Architectural Design October 5, 2019

Master-planned Projects #6 Architectural Design

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

AND you can also contribute to this opensource education by commenting with your own experiences, strategies, tactics and ideas here on LinkedIn. That's where we can really embrace group network effects for continuous improvement in development management.

The DC: Master-planned Projects #6 Architectural Design

Like any one-off project, for a master-planned project, you have to come up with architectural design. A site plan, building floor plans and some elevations. One key difference with a master-planned project is there are multiple layers of design.

Urban Design

First, and most different from a one-off project, you have the overarching layer of urban design. This is (or some say informs) the general layout of your site, all its key amenity, roads (we looked at roads in detail here), geographical constraints and the stages and/or super-lots within.

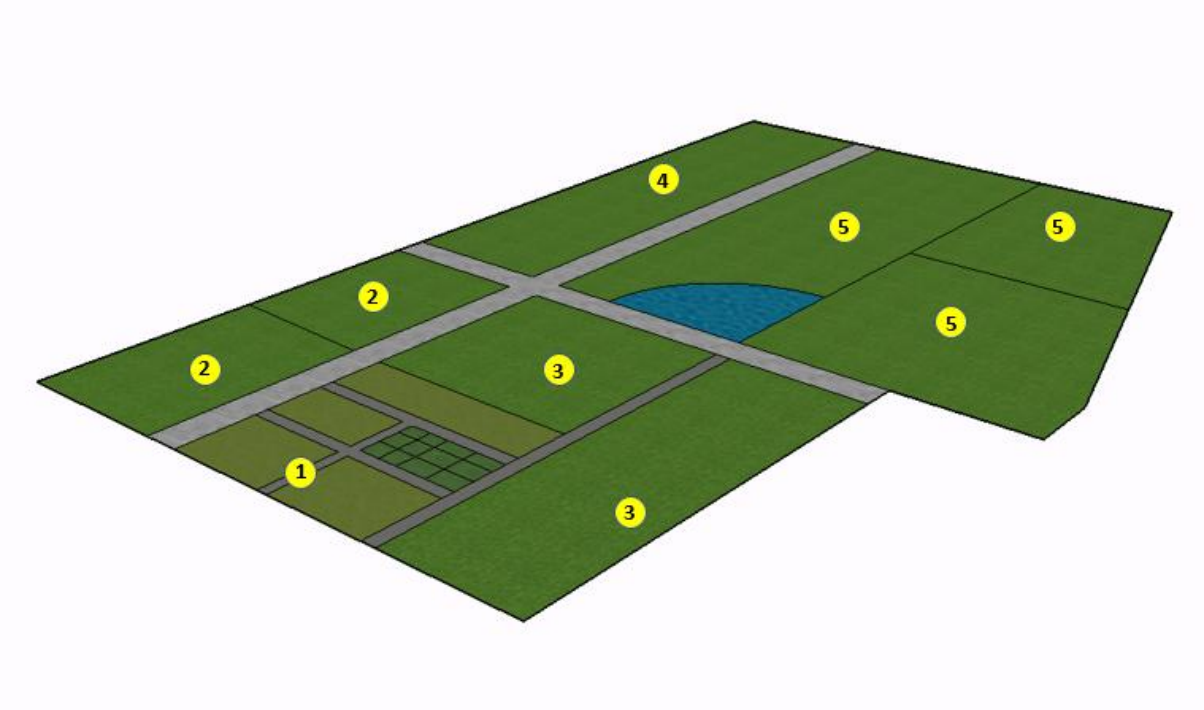
All developments have some aspect of urban design. Building design and urban design often morph into a grey zone, where both building architects and urban designers claim it's their space. Where on the site do you place a condo tower? How does it interact with the public-facing street? What connectivity to the neighboring streets does it enable? And so on. But with a master-planned project, by virtue of nothing else but its size, duration and having to build transport corridors, we are designing a completely new urban environment.

There is a tonne of definitions out there. The Urban Design Group in the UK have summarized plenty here. I quite like the following two as they cover both space and time in the context of a development project.

"Urban design involves the [spatial] design of buildings, groups of buildings, spaces and landscapes, and the establishment of frameworks and processes that facilitate successful development." – UDGUK

"The process of molding the form of the city through time" – Peter Webber

At the end of the day, regardless of how theoretical we muse, urban design produces a number of practical outputs. The big one is the master-plan or master-site-plan. This is the picture of where all the roads, lakes, parks, shops, offices, homes, warehouses or factories are located. To get there might have been quite a process, and like Mr Webber above describes, it can change over time. Something a bit more detailed than the high level one we discussed here.



The more diverse your master-planned project, they more complications urban design must embrace. Flat is easy. Hilly gets difficult. 1,000 standalone replica 200m2 houses on 400m2 lots on the same road grid, surrounded by clones where sales agents can't even touch the sides of demand is easy. 700 houses comprising of seventy-eight different floor plans across a range of lot sizes with a town center, a small industrial park, and all next to an existing airport on a peninsula in a soft housing market is not so easy.

One way urban strategists in the project team approach creating the master-site-plan is to break each 'complication' into an overlay. The objective of each overlay is to create the best response to that complication. Then you lay them on top of each other. In the perfect world they all line up and then you can start drawing your response – the master-site-plan. Of course, they rarely do and compromises need to be made. That's where the priority comes into play.

What's the biggest priority? Profitability – certainly if you are a private or corporate developer. So one of your overlays – the most important obviously – is financial. Obvious to developers and bankers at least. Unfortunately, urban designers are typically architects and profitability might not be always so obvious to them. Master-plans can be heavily influenced, if not dictated by infrastructure, geo-technics and traffic – again profitability might not be so obvious to the engineers either. So the urban design process needs a financial overlay. That means your financial feasibility (as we talked about a few editions ago) is an integral part of the urban design process. As your designer starts drawing site responses to complications, the development manager/ feasibility manager needs to fire the feaso up. You can't simply leave the urban design to the designers!

You have to start somewhere though, and there is a short-cut that gives the urban designer somewhat of guiding spatial light as to what could constitute maximum profit: maximum density. Thus zoning is an important overlay. In many rising real estate markets, especially over the long term maximizing the allowable Net Developable Area, and then the Gross Floor Area on top of that will be a good proxy for maximizing profitability. If your site already has zoning

determined, then much of your urban design framework may be set in stone. Retail here, commercial there, residential elsewhere. If you are starting with the purest of greenfield sites and have the flexibility (and deep pockets) to create your own zoning then each other overlay becomes that much more important.

Let's look at some other overlays:

- Transport links. Rail stations, freeway access, arterial roads, bus-stops, ferries, and other big-ticket transport connections. This overlay will certainly influence where you place retail and commercial activities. Housing not too close, but not too far (unless lifestyle or rural blocks are your taste). Higher density at the nodes, lower away.
- Topography and physical geography. Hills and valleys. Flat, rolling or sheer cliffs. Streams, rivers, lakes, the coast, and native forests. Some natural features present opportunities and others constraints.
- Sunlight. North-facing or south-facing slopes. Shadow lines from hills, trees or any buildings across the boundary.
- Amenities. Proximity to town centers, places of recreation, schools, medical facilities, beaches, centers of employment, tourism and industry.
- Infrastructure. Where the 'big' pipes have to go. What areas can be serviced, which can't? Powerlines in the way?
- Views, outlook, privacy, quiet, areas where you can enhance profitability, by charging higher rent or sales prices.
- Geo-technical. Soil type, overland flow paths, flood-prone, flood management areas. Yes, you can build on anything, just depends on the expense to do it.

Like almost everything in real estate development, nothing is crystal clear and many overlays influence each other. Where the relationships are not clear, break them down into the simplest layer possible. For example, break topography and physical geography down to buildable areas and non-buildable areas. Or school zones might be deserving of its own overlay.

And you will note that when you look to stage a development, many of the same influences crop up. The urban design will evolve over time. As each stage proceeds, you might be reevaluating urban design for the next stage. This is where Peter Webber's quote above comes into play.

It's an iterative process of working through each overlay and its relative priority to maximize opportunities and minimize negative effects of constraints. This alongside constantly analyzing the income potential and the cost ramifications to help prioritize.

With the overlays in place the urban designer can draw a first-cut of the master-site-plan. Then the team must refine, and refine and refine and refine.....fully aware that as time goes on, what you are refining now might not come to be. Refinement never sleeps in a master-planned project.

Superlot Design

Super-lot design is the next layer. A super-lot is defined as a contiguous piece of land within public roads. You can sell it on its own, or you can subdivide further into individual plots for houses, a block of shops, an apartment tower or a logistics facility. Regardless you need to have

an idea of the types of buildings -almost always the highest and best use of that super-lot – that will occupy it.

Roads (as we discuss here) have a big part to play determining a super-lot's external boundaries. But now we must think about the specific buildings and sellable parcels of land within. A single super-lot might be so complicated to require specific urban design all on its own. This is especially so if you are mixing uses in the same super-lot. You may need to apply an overlay approach to the design within the super-lot.

With that in mind now you can design the most efficient, most profitable super-block. And once again, get your calculator out. Crunch the super-lot's own feasibility as the architects put forward design options.

Additional considerations for super-lot design:

- Sellable land efficiency. Are we allowing for the most efficient and sellable lot sizes and layout?
- Flexibility. Somewhat contradictory to the previous item, does your super-lot allow different types and shapes of plots and buildings that could adapt as markets change over time?
- Is the super-lot efficient and flexible in terms of infrastructure? The cheapest approach will be to provide as many individualized service connections (think driveways, wastewater, stormwater, power & utilities) at the same time as you construct the super-lot. However, this may preclude flexibility (at least at a cost) within the super-lot later on.
- Streets. Roads that surround the super-lot contain elements that cannot be adjusted very easily – and when publicly owned, moving anything might prove next to impossible. Streets can constrict the design within the super-lot, despite how much future-proofing you are trying to cultivate. Street trees, parking bays, rain-gardens, utility 'boxes' (like power transformers & sewage pump stations), power lines, street lighting, leased billboards, cellphone towers and bus-stops to name but a few.

Building Design

The stuff that everyone really looks at: the vertical build. What can be different between a one-off project and a master-planned project? That depends on how as a development company we are structured to deliver:

1. Land subdivider. We are creating the urban framework and developing all the land, but we intend to sell all parcels/super-lots off and let others build at their discretion.
2. Land to letterbox. We are developing, designing, building and selling everything.
3. Bit of both.

Whichever development approach, a master-planned project requires additional thinking that a one-off project is rarely concerned with. If you intend to sell land to others, building design is all about control. Controlling the branding, the look and feel, the quality and most importantly the master-planned project's long-term profitability. If you have rezoned the entire estate then that is one control. Albeit, that might be limited to density and bulk and location restrictions. The other often used control is to create and enforce design guidelines.

Design Guidelines

Design guidelines can be legally attached to the titles as covenants and/or stipulated as part of the sale and purchase contract and/or included in the rules enforced by an incorporated society representing owners in the master-planned estate. Tieing the guidelines to current and future owners is important – so the rules run with the land. This often means that design conditions in the sale and purchase agreement are not legally sufficient to protect the developer from a subsequent future transfer of ownership.

What's in these design guidelines?

It's your project so pretty much anything that doesn't contravene the law! I recall one subdivision in Phoenix tried to ban people flying the American flag – that didn't go down to well, with pretty much everybody except the committee who dreamt up the idea. However, in the context of a master-planned project, design guidelines are more than just resident restrictions. Rules like no parking on the lawn, don't put washing drying over the front balcony or limiting dogs to less than 50cm long. All the impediments to daily life. Saying that though, design guidelines and resident rules do overlap. No tarpaulin (poor man's sailcloth) over your pergola – is a rule (yes a real one put in place by a least one government housing provider) to protect neighbors from the unruly design-inconsiderate antics of those living next door.

We'll start with the objective of having design guidelines. And if we strip it back to its core, it's fairly simple: design guidelines are to protect the master-planned project's developer's profit. You can spin this a different way of course and say "design guidelines protect the home buyers investment" or are the "design guidelines enforce quality and reputation of your working environment and shopping experience" or "design guidelines to protect the integrity and desirability of the 'Blue Vista Estates' brand and name" – all of which might be true, at least in the beginning.

You see when you commence a development you may have very strict design guidelines. 'Guides' (which are actually rules) that prevent builders or mini-developers – that you onsell super-lots and parcels of land to – from designing and building any old visual debris. Design rules that are typically over and above what the local jurisdiction allows. Here are two common, albeit blunt, examples:

- *"Minimum floor area of 250m2."* This rule sets a minimum size, which indirectly pretty much guarantees a higher price point.
- *"Must build by 1 December."* This rule ensures development occurs as quickly as possible – both so empty sections are not left growing weeds and to stimulate demand.

Then there are design guidelines that take it further and prescribe building forms and aesthetics:

- *"Allowable cladding materials include brick and timber weatherboard. Timber or commercial grade aluminum window joinery only. PVC siding and windows is prohibited."* This rule attempts to prescribe higher specification exterior materials.
- *"No hip or flat rooves."* This type of rule attempts to restrict architectural styles seen not in keeping with the overall development.
- *"Garage doors must not face the street."* A rule where the developer is trying to create the illusion of no cars, or at least prevent the dominance of garage doors on front elevations.

- *"The upper level must not exceed 50% of the floor area of the lower level."* A guide intended to create an architectural style that forbids boxy developments.
- *"Fencing is to be 50% permeable and no higher than 1.2m along the front boundary."* Intended for looks or passive 'eyes on the street' surveillance.
- *"Front facades must contain a minimum of 50m2 of glazing and a fully landscaped front yard."* Think of the industrial park trying to push a half-decent looking streetscape.

The list of guidelines can run deep. And to help explain you might need to include example drawings and pictures. Guidelines can easily morph into a hefty design manual if you are not careful – in an attempt to fully describe the architectural response the master-planned project developer is looking for. Fairly soon though you run into design rules that are open to interpretation, and potential abuse or technicalities (from the master-planned project developers perspective). So to protect the master-planned project a formal approval process often accompanies the documentation.

The approval process might be as straightforward as 'all plans must be signed off by the developer prior to construction'. Or it may be a bureaucratic multi-step approval board rivaling (or occasionally with permission replacing) local authority design review panels. A panel might have a representative from the developer, the city and a few architects thrown in for good measure.

Then there is the extreme version of architectural prescription. Not really design guidelines as much as 'this is the design, now go build it'. Like a book of allowable concept designs or consented plans with no option to modify. This is where the master-planned project developer wants micro-management control over the design (and quite possibly retail selling prices), without actually building and selling the end product.

Design guidelines, especially exacting ones can work quite well when the following circumstances exist:

- The market is booming, demand outstrips supply and generally, everyone is prepared to pay for the privilege to live or operate in a design guideline adjudicated environment, and
- The urban design guidelines accurately reflect the real market for the product to be developed.

However, when the market softens it takes a very stoic developer (and investors/funders) to stick by the design guidelines, especially when they are causing (short-term) profit pain. I have seen countless subdivisions that start with all sorts of restrictions and the nicer (more profitable) homes are first of the rank to be sold and built. Then as the market deteriorates they (or the receivers) throw the design book away to make land sales. Inevitably lower 'quality' product gets built. And at that point, the project is on a race to the bottom. The ability to turn back to design higher-end (and more profitable) product as the market improves may now have been severely compromised.

But sometimes, in false hope, you create 'design misguidelines'. This is when the vision and the reality don't quite gel. Often in an area where gentrification is before it's time, or a greenfield site that doesn't support the underlying value proposition: amenities, schooling, socio-economic wealth, employment etc. Yes, you can sell land that enforces such quality controls at the peak of the market, but in all other times, you are effectively handicapping your potential land buyers.

So the takeaway is to produce design guidelines that are both sustainable and enhance profitability over the lifetime of the master-planned project.

Design at Scale

Is this one project of 1,000 homes or 1,000 home projects?

If you are developing and building the entire master-planned project then you have to think of design at multiple levels. The overall urban design – the big picture. The stage level. The super-lot level. And the individual plot (or lot, or section or whatever quasi-legal term you use) level – the nitty-gritty detail.

With a residential subdivision project of say 3,000 semi-detached homes, or 30 apartment blocks or 20 office towers, you have the opportunity to think at scale. Something you don't get (as much) with a one-off project.

'Thinking at scale' has plenty of positives for efficiency and productivity, in design – for example:

- If we build a consistent volume of 300 houses a year, every year for next ten years, what sort of bulk supply agreements can we enter into with architects, engineers and other consultants?
- What if we just design one office tower and replicate it 20 times?
- What about 5 standard house plans, that we replicate 600 times each?
- What about the exact same configuration for each superlot?
- Can we get a global building consent so we don't have to apply for each individual building?

And that all works where you are taking a cookie-cutter approach. But there are design drawbacks, especially in projects with a large residential component. This is what I call 'at scale complacency'.

At scale complacency occurs when the details are glossed over, just because there is a big number. And in a master-planned project, one of the biggest offenders are architectural designers.

Consider this scenario, you hire an architectural firm to design three super-lots of 100 terrace homes each. The architectural firm charges a fee based on a per-home basis. You get the designs back and it all looks the same. The colors are similar. The plans are similar. The windows are in similar positions. The roof forms are similar. The decks are in the same place. The designers have put plenty of thought into the big picture look and feel but have they adequately addressed the detail?

Your modus operandi may have been to cut costs and boilerplate everything. Standard floor plans. Standard colors. Everything a carbon copy. That is a valid strategy if it truly reduces your costs and your master-planned project branding and 'look and feel' and most importantly the buyer pool that you are targeting can handle it. But often it's not. Even if you have brought into the architect's 'vision' that they have designed a cohesive design that links all the homes together in a symphonic melody, you need to check out the detail.

As development manager or design manager, you might only be interested in the stratospheric perspective of each super-lot or stage. From that high-level design view the architect may have done an exemplary job.

All the same the home buyer might not think so. And who is your real customer – the architect or the home buyer? The designer or the tenant? And what do they really care about?

I won't keep you guessing.

They ONLY CARE about their new home, new office or new shopfront. Sure you might like to skite to your friends about being part of a brilliantly designed award-winning masterpiece courtesy of starchitect so and so. But how is that going to go down when you are sitting on your deck, toasting a chardonnay with all your mates looking out onto a big ugly confronting retaining wall? Especially whilst your 5-year-old daughter, sitting in her bedroom, without even straining, has a panoramic view of the city skyline!

The buyer cares about all the details. They are going to live or work with the details. On a site plan with 100 homes, the buyer is not going to see the finer points in the design. But once the property is built, every detail will be out in all its glory. Unless you have pre-sold or pre-leased and have a thick skin to suffer the abuse from an irate buyer or tenant and the market is so hot, replacements will line up regardless, then I suggest you pay attention.

No not just you, the architect needs to. Train them, coach them, politely remind them, throw their fee letter back at them, whatever, but get them to look at every single individual building and unit to maximize value. Have they imagined themselves on every deck on a summers evening? Do they pay attention to what one will see from the kitchen window, and every other window? Does the fence block a potential parking space? Could the trash can go in that corner? Why not put the transformer around the corner, out of sight? Can a kid play on that gradient? Will we get more sun if the window is higher? What does the room feel like with that metal detail over the window? Yep buyers have emotional attachments to what could be their biggest investment.

Yes, a big list of design considerations, applied to every single unit can be intimidating. Does your architect even have a checklist for such concerns? Don't let them become complacent with scale. Especially if you are paying them a similar per-unit rate regardless if it's 10 or 100 units. Even if you have a bulk discount, this level of spatial thinking needn't take that long. But it does take the mindset to think like the eventual occupier for every space that is designed.

When you are designing your own home, you and your family are across every single detail arent you – from light sockets to window sills? So get your architects to take a similar approach when designing ten thousand!

Now, what if you don't buy into the architect's design consistency argument? You actually want your master-planned project to have architectural variety. You might be creating the city's next suburb, but that doesn't mean it has to all look the same nor should scale mean compromised individuality. You have told the architect but you are not sure if they are getting the message. You know when the architect comes back on the third attempt and terrace block 15 still looks the same as terrace block 12,13,14, 16 and 27? When apartment tower X looks surprisingly similar to office tower Y. In this situation not only are the design team suffering from 'at-scale-complacency' they are caught in a vicious case of tunnel vision. Well, from experience there is only one way out.

Hire multiple architects.

And on that note, look out for our next edition where we explore everything else about scale.

Cheers

Andrew Crosby

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .
- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Master-planned Projects #5 Team Collaboration September 28, 2019

Master-planned Projects #5 Team Collaboration

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

AND you can also contribute to this opensource education by commenting with your own experiences, strategies, tactics and ideas here on LinkedIn. That's where we can really embrace group network effects for continuous improvement in development management.

Master-planned Projects #5 Team Collaboration

Question: What's the difference between a good team and a bad team?

Answer: Team WORK!

Specifically: Team working very closely together.

If you thought team collaboration was important for a one-off development then wait until I tell you about a master-planned project.

Who's on the Team?

Firstly we'll describe the team. The greater team will consist of internal staff, external consultants and contractors and intermittent exposure to external agencies. Let's define the core team as those members who meet regularly and together have responsibility for delivering the project.

In a small outsourced team, (typical of nimble private developers) it might be the developer and/or development manager an assistant or two and everyone else is an external consultant or building contractor. In a large corporate where you do everything (design, consent, build and sell) except for specialist consultants (like traffic or acoustic engineers) all of the core team might be in-house.

And on large complex master-planned projects, the core team might constitute a whole layer of internal management, directing a bevy of consultants and contractors.

In all cases will be those agencies like city council, utility network operators, and other quasi-government entities where you must collaborate, but often will feel like a one-sided negotiation (their side!).

Here are the usual suspects for any core development team. Some roles may be done or governed by the same person, effectively a project manager, or some roles might need to be split further.

- Developer/development manager/project director.

Whether its the CEO, the Vice President, Mr Jones, or any of the descriptions above, if this project is your ultimate responsibility, and you are accountable to the investors, funders or board then this is you. We'll refer to you as development manager (or leadership) moving

forward. If that's your title, but you don't call all the day to day project shots, then that's not you. Somewhere down the line, you work for this person and you are one of the following:

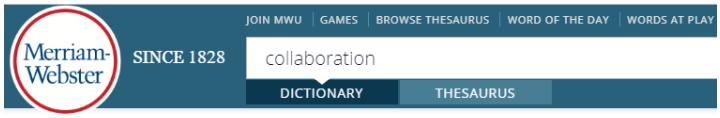
- Architect/Design Manager (architects: urban design, interior, outside and landscape)
- Town Planner / Planning and Consents Manager
- Land Engineer / Infrastructure Manager (All things on and below ground: Civil/ Surveying/ Traffic/ Geotech/ Environmental)
- Engineering Manager (Structural, and to a lesser extent fire, acoustic, HVAC, vert, facade)
- Construction Manager (All things built above ground)
- Sales & Marketing Manager / Agency
- Cost Estimator/Quantity Surveyor
- Financial Analyst/Feasibility Manager

Depending on which country you are in, and the complexity of what you trying to achieve the team might need someone dedicated to insurance and in-house legal counsel.

Collaboration Explained

Now that we know our core team, what exactly does collaboration – to collaborate- mean?

Here is a definition I have borrowed from the dictionary.



collaborate verb

col·lab·o·rate | \ kə-ˈla-bə-ˌrāt \
collaborated; **collaborating**

Definition of *collaborate*

intransitive verb

1 : to work jointly with others or together especially in an intellectual endeavor
// An international team of scientists *collaborated* on the study.

2 : to cooperate with or willingly assist an enemy of one's country and especially an occupying force
// suspected of *collaborating* with the enemy

3 : to cooperate with an agency or instrumentality with which one is not immediately connected
// The two schools *collaborate* on library services.

Other Words from *collaborate*

collaboration \ kə-ˌla-bə-ˈrā-shən \ *noun*
collaborative \ kə-ˈla-bə-ˌrā-tiv, -b(ə-)rə-\ *adjective or noun*
collaboratively \ kə-ˈla-bə-ˌrā-tiv-lē, -b(ə-)rə-\ *adverb*

Synonyms for *collaborate*

Synonyms

band (together), concert, concur, conjoin, conspire, cooperate, join, league, team (up), unite

The words I particularly like to draw upon are the synonyms: *Conjoin* and *Unite*. In a master-planned project, it is not merely enough to work together. The team, at least the core team, must unite, conjoin and effectively become one.

Although many developers often feel like they have waded into definition [2] above, items [1] and [3] are spot on. [1] means you work together as a team (think staff), and [3] infers many of those you are working with not in your direct control (think contractors and consultants albeit you have some financial control, and local authorities, utility providers and government where you have zero control).

Bear with me as I go into deep cerebral contemplation. In a master-planned project, because we have multiple layers of design, across multiple stages, across an extended time horizon with high uncertainty, there needs to be a core team that moves in mental unison as the project develops. When things change, like a stage gets re-prioritized or a new risk develops (market heads south), or more certainty is gained (local authority approves a public road) everyone in the *core team* needs to know. More than 'know', they need to understand 'how' it affects them and how it affects each other team member. And importantly how their response to such change will subsequently affect the work of each other.

A residential estate scenario to illustrate.

At a project control group meeting, the infrastructure manager explains that the local authority is ready to approve a new road layout. It is in a location that differs from the original master site plan. The urban design architect updates the master site plan. This affects the size of the super-lots, so the building architect updates the super-lot site plan.

This affects the location of services so the civil engineer must update their services drawings. Similarly, the surveyor updates their boundary drawings. But the services now conflict with all a hillside packed with retaining walls, so the structural engineer needs to revise those walls. The walls get higher. She has to obtain clearance from the geotechnical engineer who decides that the retaining walls will require deeper foundations and further moving of boundaries.

This all adds additional expense so the estimator updates their schedule of costs. Sales values in later stages are now negatively impacted by higher than desirable retaining walls. The feasibility manager adjusts the financials and finds out not only does this combination of higher costs and lower values decreases profit but we are below the investment hurdle rate. That's not going to work.

So the feasibility manager asks – "What happens if we move the road to a different location?"

The infrastructure manager replies, "Of course the local authority will accept a range of locations" (unlikely to be a true story!).

And there you have it, that circular problem is now solved.

This whole process can play out in a variety of ways though, linked to just how collaborative the team really is:

- If everyone in the team is on their A-game and understands their own role sufficiently (aka is not just a business development manager attending the client-facing meeting and actually knows very little) and the meeting is treated as something to get things done, not merely make instructions or pass information, then the net cost might only be a couple hours of everyone's time, right there and then. I.e. plans are updated/marked

up conceptually with team members immediately cognisant of the implications (or at least likely implications) so they can advise in real-time.

- However, if the team has an ingrained inability to do, challenge, or offer anything without first going back to their respective office and spending a week to mull it over. And then spending another week assigning the work to someone else. And not talking to anyone else in the project team during this period. And then waiting to present the changes at a regular monthly meeting another week later. And this approach continues down the line of affected team members. You could have lost many weeks or even months.
- Ideally, in a unified, thinking as one, 'Vulcan mind-melded' team, the infrastructure manager has anticipated the potential such issues and sorted it out with the rest of the team before this meeting even took place!

If the team has a central development manager/ project director, then they may mitigate the second linear approach somewhat. But if the second way above is the prevailing team attitude, the development manager will be forced to micromanage the communication between every team member. And they have to be across everything. When this is the case, then there is a tendency for team members to simply default to the development manager for an answer on everything. Effectively that's everyone in the team absolving personal responsibility. For many development managers that's how they like it – a pure command and control structure. Often that is necessary for the really difficult, risky and expensive decisions. But for everything else, I say that is an inefficient waste. The project team should be responsible and accountable, not just for their own work but also for considering the work of others. And the development manager's prime role is to strategically pave the way for the rest of the team to do their jobs.

Three Degrees of Collaborative-ability

I'll label what I see as the three improving degrees of core team collaborative-ability.

1. Silo mentality
2. War room
3. Mindreader

Silo mentality. In a silo'ed, everyone works on their own, focusing on the impacts on themselves only environment, sorting anything out takes a lifetime. Problems crop up, no one gets notified and the negative impacts are amplified. People crucial to the process might only find out when it's too late. No one cares about the work of anyone else, except where it directly impacts them. In fact, it is all too convenient when someone else doesn't deliver, as you now can use them as the excuse. Documentation and expertise is hoarded, or worse, secretly protected by the prying eyes of anyone else on the team. Tom Peters has a lot to say on removing silos (which I apologize for the overused cliche) and aligning teams (read here).

War room. This is where people come *together* to work *together* and make critical decisions *together*. Meetings are workshops to sort issues out. Team members have deliverables and they deliver. The core project team members understand their own part of the puzzle intimately. And each of them is responsible to push those within their sphere of control to deliver. Everyone who needs to be present is there, or just a phone call away, and all are empowered to make decisions and advice from their respective entity. War room orientated project team members have no problems organizing themselves into sub-teams. They can

create a platoon with its own sergeant to tackle a specific task. And they communicate the results (aka solution) clearly back to mission control to make sure everyone is on the right page.

Mindreader. The mindreading team is (should be) the utopian goal for any master-planned project. [I have described something similar before with regards to consultants – read here]. Core team members know the detail in their field and comprehend the bigger picture. They know how to deliver their contribution and have the authority and inclination to influence those under their management to think in a similar, anticipatory way. They know when to cull ineffectiveness and circumvent silo's that form in their own departments. They can self organize and delegate tasks to solve issues concurrently. They are everything that the war room approach brings. But in addition, critically, they have taken a quantum leap forward. They appreciate and are empathetic to how others in the team might think. They pay attention and learn from the concerns of other team members. "Not my problem," is their problem. They make it a project problem to be jointly solved. Delivery is faster, more accurate and certainty is achieved early. The infrastructure engineer understands that moving services could impact retaining walls that could add additional expense that could look ugly and deflate property values that will negatively affect the project profitability. They might not on their own be able to figure out the exact implications but they all think and act in a holistic way. Never do they sit back and judge "I will leave that up to the sales team or the architect or the development manager". In fact, many of the core team are positioning themselves to be the next development manager.

How about some specifics to take your core master-planned project team to mindreading prestige?

- Authority. A mindreading core team member has been given the power and authority to act this way. By the client, the developer, the project director, the development manager – whomever. It starts from the top: a command and control type client will not be able to create the conditions for a mind-reading team.
- Trust is paramount. Everyone on the team must trust that both, others are delivering, and others are working to make everyone else's job easier. That takes time and leadership that encourages trust. Trust is a two-way street. For leadership to give trust, team members must demonstrate they can be trusted to take their own leadership position. Leadership needs to be satisfied that core team members will persist to find solutions and absorb learnings from critical feedback or challenges. Trust is not built when leaders see someone taking the easy way out or defending mediocrity.
- Open communication. Each core team member takes responsibility for communal understanding. They know to express the implications on their own work so that the rest of the team understands. Leadership encourages open debate so team members do not close up ranks when problems surface. Team members consider other team members perspectives. For example, if you as a construction manager replace an integrated brick letterbox with a standalone metal stick in the ground from the big box hardware store to save cost, you have first cleared that with the sales team to make sure it doesn't negatively affect sales price by a greater amount. Or if marble has been specified in the office bathrooms but it adds no value to the lease rate, then rather than you -as leasing agent- just accepting it, you indicate to the architect that it can be removed to improve profitability.

- Team stability. People are more important than companies. When people leave the team, not only does intellectual property leave, but so does trust, familiarity, and the ability to cognitively read each other. A new team member has come up to speed, not only in project know-how but also in their assimilation of the 'group responsibility culture'. That takes time. Master-planned projects are notorious for lack of team stability. Part of the reason is obvious practicalities. Master-planned projects take a long time. Team members leave jobs, get promoted, move overseas, the market goes up and down and everything else in life has a habit of getting in the way. Even so, whatever leadership can do to reinforce and incentivize stability the better.
- Challenge. Question. Search until you find a solution. Everyone has (or grows) the confidence to challenge each other, upwards, sideways, downwards and the status quo. To question the reasons why. Team members don't assume it has to be this way. Yes, they acknowledge others are experts, but they push for answers. Everyone arrives at the boardroom table on an equal footing. They seek constant improvement. Team members don't wait for the development manager or client to push them. They have analyzed the options already and can present the pros and cons. They understand the more the team challenges themselves, the more likely the project will be more profitable. The more profitable the easier the project will be to deliver.
- Create cross-department/expertise groups. One way to break silos and help instill trust and confidence in the core team is to create teams within the team for individual workstreams or tasks. Rather than the development manager directing each team, give leadership to a team member. Where your core team may have 6 to 10 people, a smaller workstream team may only have 3 or 4. Each of those individuals will then be naturally closer to the action of other team members, and more willing to challenge and contribute. This helps team members understand how different issues impact others. It also forces the team to work together to find a solution, and analyze the alternatives, before asking before approval.
- Force decisions upon the team. If team members have earned the right to be trusted then make the team members responsible for key decisions. Start small and up the ante.
- Document control and workflow. Collaboration is often thwarted by poor communication. Poor communication is inhibited by poor documentation sharing, version control, and workflow management. Get this sorted.

Where you have a largely internal management team running a master-planned project, led by a development manager then an employer/employee relationship exists. Assuming people in the team are not tainted with silo orientated habits this should make it easier to achieve seamless collaboration. On the other hand, if these team members are also themselves running teams of internal staff and external consultants then they have to embed the same mind-reading collaboration mindset down throughout the team they guide.

If the core team is largely outsourced, (or for any external consultant or build contractor) then you have another little thing that gets in the way: contracts! More specifically big fat disclaimers in contracts. Especially the ones that say 'the client is responsible for the work of others'. That gives externals a convenient out. You could include a contractual clause which makes each consultant responsible for evaluating the effect on their work of any changes by any other

consultant or contractor. And a clause stating that they must advise the project team and client of any impacts immediately. But of course to achieve this you need buy-in and you need diligent consultants. With external builders and their voluminous contracts, it gets more difficult. And if things aren't going that well and the contract has been dusted off, with attorneys mulling around then it is probably impossible. That is where a project manager between the core team and build contractor has to embed themselves in the psyche of the contractor in order to create a unified project mind.

I didn't say it was easy.

Use this quote from John Carmack, a legend in video game programming, as inspiration,

"A strong team can take any crazy vision and turn it into reality."

[A development is a little like a video game: you have to overcome obstacles and defeat increasingly outrageous foes as you work through the levels searching for the elusive treasure.]

Teamwork Control Mechanisms

To make it easier to create a collaborative environment, quality control mechanisms were suggested above. I say suggest because sometimes they can go too far and backfire. They need to be managed in the reality of the development situation. [Note we're talking about controlling delivery, not controlling people!]

Key Performance Indicators can be effective so long as they currently relate to the contracted project deliverables *and* one person's KPI's don't conflict with another's on the same team! This can often happen, when KPI's have been set in departmental silo's or when corporate goals and project goals are not perfectly aligned (for example short-term annual profit versus long term project profit). Whatever you call your targets/ KPI's/ milestones/ objectives/ goals/ budgets it is important the team is all on the same page. Property development has a lot of targets pre-built in. There is plenty of obvious ones without you needing to concoct any arbitrary ones.

- Settle all houses, one week after they are complete
- Lodge stage two consents by Xmas
- Start building by Easter
- Finish civil works by Mothers day

Of course, to achieve each of these deliverables will be a number of intertwined steps to get there. There should be a comprehensive programme/schedule which lists everything on the critical path. And who is responsible to hit those milestones along the way. And most importantly that the system/software *pushes* notifications out to everyone that needs to know when there is a change.

When something changes, then everyone's future KPI's should be modified to reflect that change. KPI's that are only decided once a year can become really messy, given the inherent variability of a development project, especially a master-planned one. Sometimes it is easier just to link KPI's to project performance: ultimate profitability.

Meeting minutes are a control measure that goes without saying. And the team should be expected to run and take meetings with the simple, 'who, what and when by' noted to meet their objectives. At a high level, two effective measures are the monthly report supplemented by

weekly workstream management. We will talk all about reporting and delivery management in a future edition.

Collaboration software – maybe, if you have someone internal dedicated to administering it and the team has full and contractual buy-in to its use. Ironically this is getting difficult these days with companies own email systems and other communication channels popping up every year or so (Messenger, Dropbox, Wechat, Whatsapp, …). Sometime in the future I will write about founding and running a Collaboration software business, but for the time being, I will say:

- Managing online collaboration systems is difficult in the early stages when you in the pre-developed design conceptual and planning phase. Everything is fluid and changing and you are running multiple feasibilities concurrently with bulk and location and concepts. In fact, such systems can be pointless, to a large degree. Sometimes they can actually detract from the work being done as they can create their own inefficiencies when you are trying to deal with change.
- During detailed design through consenting and construction, a full-blown total immersion collaborative system is easier to implement. That's because contracts and budgets, programmes and authorities are largely sorted out. There is less room for movement and you can tie workflow to contractual requirements.

Team no, no's.

When any of the following occurs, you know the team still has work to do, to achieve mindreading collaboration status.

1. Minor issues are constantly sent to the development manager to rule on.
2. The development manager requires they must receive every piece of correspondence between other team members.
3. Team members are not sure what the development manager will be interested in. Therefore to cover themselves, cc the development manager on everything.
4. Development manager wants to attend every meeting.
5. Development manager goes beyond challenging, questioning or searching for solutions and provides technical advice.
6. Development manager can't escape from technical detail and spends a lot of time focussing on minor points.
7. Development manager has to show themselves around external consultants to demonstrate 'who is the boss'. Similarly, development manager requires team member to seek approval from them before instructing external consultants and contractors.
8. The development manager is running from fire to fire, rather than setting strategic priorities, deliverable dates and evaluating future opportunities.
9. The development manager is always following up where things are at before due-dates.
10. Team members are not communicating where they are at on particular task, if that task is heading to be late – which if a pattern is established, can give rise it #9.

11. Development manager does not set up teams to work together to solve issues or evaluate opportunities on their own – i.e they always have to be part of the working group, just to make sure.

You will see many of the above points revolve around the development manager essentially micro-managing the team. Some might say this is necessary for control. Others (like me for instance) will argue, that approach is not scalable to adequately run a master-planned project. Nor does it allow team members to grow in their own leadership or become the next development manager. But it does take time for the team to develop where the development manager can sit back and purely focus on the big picture. [*Is this really a secret list to remind myself….?*]

However, where items are of paramount importance, carry considerable risk, team members have already been given ample opportunity (or lack the requisite experience or expertise) or the horse has already bolted then the development manager might be given a hall pass to insert themselves to manage the situation. That's just the nature of property development. With the caveat, that coaching (training/teaching/demonstrating/pushing) is provided along the way. So the team member(s) can learn and grow to sort out the next similar situation on their own.

Annnnnnnnooooooooooyyyying!

Here a list of pet peeves which should irk anyone. This behavior needs to be stamped out immediately! [OK, OK, I mean resolved empathetically with self-control equal to her Majesty the Queen no less.]

- *"Which work would you like us to prioritize?"* This will happen more on a master-planned project than a one-off, primarily because there are likely to be a lot more work streams running concurrently in a master-planned project. When I hear this my blood boils, especially if it emanates from a consultant or contractor who has taken on the role, fully aware of the size and responsibility of the project. It's not necessarily a size thing either, as I have heard the same thing from medium-sized companies through to international conglomerates. There are likely two related things wrong. One, they have done a sales job on you, pulling the wool over your eyes when you engaged them and now they are not able to meet your commitments – the resource doesn't exist. Or two, they are using the complexity and size of your project (or organization) against you so they can serve other clients – they have plenty of resources it's just not directed your way! In both cases, if the problem persists, get a new consultant or contractor who can handle what they promise.
- *"I can't do that. We can't do that. They won't let us. But this. But that."* Really? Things might have changed (time certainly has), so let's give it a go. Get three new opinions. You might surprise yourself and discover an improvement. Better still reframe to find an alternative. "Not sure if we can do that, but we can do this".
- *"I know this"* Where a team member is the world's self-appointed expert on a topic and there is no other way besides their own. Now, they might be the foremost person in the field. But odds on, they aren't.The self-important often have a powerful weapon that they love drawing to reinforce their self-designated expert status, if given half a chance: "I told you so". The problem arises when someone believes their own aura of invincibility and refuses to entertain anything different.

- *"We have always done it that way."* Fine. Now can you at least think about doing it a different way? And while you are at it, please explain exactly why have you always done it this way. **Caveat:** The last three well-known annoyances come with an all-to-common fish-hook though. And not a lot of construction industry change evangelists will want to hear this. If you are one of those who -via self-interest are plugging their own agenda or product and not considering the total picture or any of the associated risks- then plug your ends. In property development and construction there is often a very good reason why it can't be done and why we have always done it that way!!! That should not stop you challenging though. And if there is really no other way, demonstrate with the evidence, so the team understands.
- *"That's not my department"* Where every report and communication from one team member mentions the specifics of everyone else's contribution so that team member has effectively passed on responsibility for everything. One big self disclaimer. The question then becomes, why do we need this person, if everything they do has an excuse clause, "So and so said this". Sometimes this is a just a temporary phase for newbies and those less experienced to a project team. The sooner everyone is singing the " we are all in this together" tune the better.
- *"That was all me"*. When a team member likes to take all credit for themselves. Or that time when they take credit for something they actually never did. Or when they get jealous of the credit given to another. That same type of person often shies away as soon as there any problems. Leaders should give credit for wins downstream to the team. Conversely, good leaders have no problem admitting responsibility and taking the blame.

The Collaborative Conversation

Let's end with a positive spin on our conversation. If whoever is leading the team plays their part, and is allowed to play their part from those above, then a truly mindreading team can be created. You know you have reached your collaboration destination when you start overhearing things from the team, without leadership prompting, like this:

- *"Here are five options, with pros and cons – lets debate"*
- *"I agree we probably can't do it that way. But what are we missing that allows us to do it more effectively?"*
- *"Who do we need in this team to figure this one out, who is the best in the industry we can ask for help?"*
- *"Why don't us three get together, and try and find a solution before approaching the development manager?"*
- *"I think the client is wrong. Let's find the evidence and see if we need to challenge that thinking."*
- *"This is a major risk and one of the things the project director needs to know. We need to notify immediately and then work quickly to propose a contingency plan."*

To wrap it all up, I kinda like this quote:

“Collaboration is like carbonation for fresh ideas. Working together bubbles up ideas you would not have come up with solo, which gets you further faster.” – Caroline Ghosn

Next time we will talk about the differences between a master-planned project compared to a one-off project when it comes to all things ‘design’.

Cheers

Andrew Crosby

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the ‘relatively affordable’ range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .
- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Master-planned Projects #4 Stages September 22, 2019

Master-planned Projects #4 Stages

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

AND you can also contribute to this opensource education by commenting with your own experiences, strategies, tactics and ideas here on LinkedIn. That's where we can really embrace group network effects for continuous improvement in development management.

The DC: Master-planned Projects #4 Stages

A master-planned project, at least in my definition, is so large, complex or takes so long that it needs to be divided up into manageable chunks. Very few master-planned projects start everything at the same time but even if they do, they are likely to have their own characteristics that need to be split out. I call this 'stages'. Others might call it phases, precincts, sectors or any other term to represent one portion of the development pie.

Stage Types

Stages can be interpreted in a number of ways, I don't believe there is any formal categorization out there so here is mine:

- Type One. A discrete geographical portion of the total site. Let's say a 100ha site is divided into ten, 10ha parcels. Each parcel represents one stage. So we have stages one thru ten.
- Type Two. The total development is broken down according to the chronological order of each stage proceeding. Each stage corresponds to the timing of development. Much like if each of our stages in the feasibility cashflow (described here) followed after one another. So Stage One is first, then Stage Two then stage three and so on. Each stage has its own period of development. For example, Stage One could be one year, Stage Two, three years and Stage Three, two and a half years.
- Type Three. The total development is broken down to the chronological order measured in calendar (or financial) years. So if the project starts on 1/1/20 then Stage One is 1/1/20 to 31/12/20, Stage Two is 1/1/21 to 31/12/21 and so on.
- Type Four. Product type. Stage One might be a mixed-use town center. Stage Two might be all the houses. Stage Four might be apartments.
- Type Five. Work type. Stage One might be demolition and bulk excavation works across the entire site. Stage Two might be public infrastructure offsite. Stage Three might civil infrastructure onsite. Stage Four might be above groundworks.

- Type Six. Consent type. Stage One might be subdivision consent. Stage Two a further subdivision consent. Stage Three might be an approval for infrastructure. And Stage Four a permit for building consent.
- Or, more than likely a combination of the above.

Thus, the concept of staging involves geography or timing, or both. Within stages, you might have sub-stages or super-lots or some other way of chunking that stage. And you might choose to combine stages to create mega-stages or mega-lots. And then within that you have individual site parcels.

Stage Naming

The art of naming stages, substages, super-lots and individual plots can get complicated real quick. It can end up perplexing in various ways, for example:

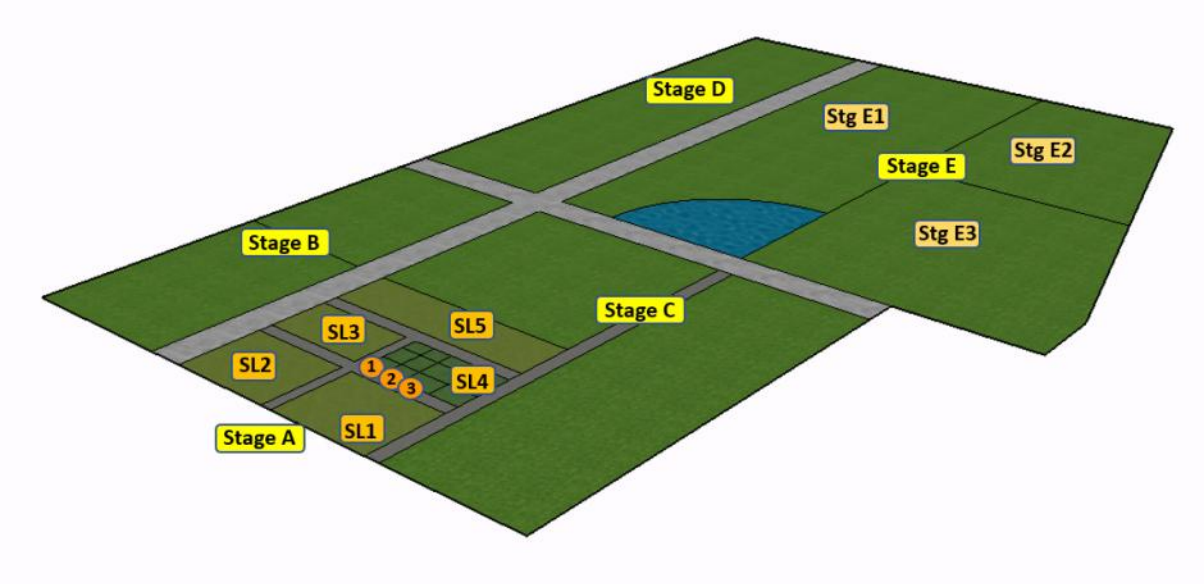
- Team understanding in general. We will talk about this more in a future edition but team collaboration on stage definitions is all-important. For example, a civil engineer is going to easily relate to the staging definitions given in Type Five and Type Two: a combined chronological staging of site works. So they name their plans accordingly. The architect is more attuned to what is happening above ground and takes a Type Four (Product Type approach) and names the stages as precincts, further subdivided as super-lots. The accountant only cares about staging as far as Type Three is concerned. Everyone has their own interpretation. Labeling plans and references within reports can get out of control as project team members understand stages in their own terms. I have seen it first-hand plenty of times, you can be sitting in a meeting and consultant X is referring to a particular stage, with consultant Y agreeing to everything, except X is talking about a completely different piece of land, scheduled at a completely different time than what Y is thinking about. Everyone on the team needs to be on the same -clearly understood- page as the project proceeds, and diligent in their updating of documentation. If you are in control of the project don't assume this will be the case.
- Stages change. If you start off with a beautiful architectural master-site-plan that has every stage clearly delineated and all the definitions are time-specific synchronized in a glorified spreadsheet, I can guarantee you one thing: it will get messed up! If you were taking a sequential Type Two approach to stage names then Stage One is first off the rank. Let's say Stage One is to do all site preparation and construction for 100 homes in one corner of your site. Stage Two is similarly 100 homes in another corner and Stage Three is a retail center located in between the two. But 3 months into planning, you decide to build Stage Three first. The conundrum is do you get the team to understand that chronologically Stage Three is occurring before Stage One? Or do you rename all your stages? Or do you add-in another definition like 'Phase 1' to represent timing only and 'Stage' represents geography or product?... See what I mean.
- Team understanding of priorities. People will naturally think Stage One starts first. So if a consultant is late to the project team party and sees a big plan on the table with Stage One emblazoned in one part, she might assume that is the highest priority. However, everyone else knows Stage Three is the priority! It's just a matter of making sure everyone is acutely aware.

- Substages naming can conflict with master stages naming and vice versa. Take this example, you to start with Stages 1, 2,3,4 & 5. And Stage 1, includes super-lots 1,2,3,4,5,6,7,8,9 &10. Stage 2 has Super-lots 1,2,3 & 4. In a meeting if someone is just referring to super-lot 4 are they referring to the one in Stage 1 or Stage 2? There is a way around that, you simply have a numbering convention that starts at one and doesn't repeat. Just be sure everyone knows you are talking about Stage 4 or Super-lot Four. You could have separate identifiers for stages and superlots: Stage A, contains Super-lots 1,2,3& 4. Stage B includes Superlots 5,6,7&8 for example.
- Within super-lots you might have building numbers, unit numbers and/or plot numbers. Stage A, Superlot 4, Building 3, Apartment 16. Boy that is getting confusing! If you try and use sequential numbering for plots (the individual sellable lots in a residential super-lot) then think about the later stages: Stage Q, Super-lot 34, Lot 1256. And what if stage L is going to include 80 lots instead of 79 – do you renumber the whole sequence?
- Now, why don't we just muddle the stormwater pond further: Super-lots might not neatly fit within master stages. So during your development Super-lot 13 which was part of Stage C, is now half in Stage D and half in Stage C. Do you break Super-lot 13 into 13a and 13b? Or what about the situation 6 months into the project when you discover a more efficient super-lot layout and combine super-lots 13 and 14? What do you call that now '1314'?
- And to cap it off, the arbitrary convention that created the name 'Stage A, Superlot 4, Lot 56' now succumbs to a formal legal definition once Title is issued You may of may not be able to control what name becomes. You certainly won't if you don't coordinate with your lawyer and your land surveyor (or whoever is preparing Title documents). For example 'Stage A, Superlot 4, Lot 56', becomes Lot 14, DP 13598.

What's the moral of this discussion (that you will have rapidly lost interest in) about convoluting numbers turning something that should be simple in an algebraic mess?

Well, you need to control your numbering conventions on a master-planned project and keep close tabs on them. Someone should be in control of numbering. You will be amazed at how confused the wider project team will get if you don't. [This is also a plea for someone out there on the interweb to let me know the best way to number master-planned projects...]

Here is our master plan from the last edition with the naming upgraded to reflect some of the issues.



Staging

You have developed a foolproof robust numbering/definition system for all the stages/super-lots/plots on your master-planned development. But, where do you actually start bringing in the bulldozers?

On a 200ha, 3,000 home and 50,000m2 of mixed-use (apartments + retail + office), do you just go and build the whole thing? In most cases, of course not. That's why we have stages. But why do we choose a particular stage to be the first, the last or seemingly somewhere random in the middle?

Here is what the development team needs to consider when deciding, where to start. And be warned, different members of the team will only see their part as the priority. So depending on the outcome desired (which in the ideal world should really always be distilled to maximize total project profitability) any one of these factors may take precedence over the other. Sometimes it will be a no brainer, other times a hard decision will be required.

- Market velocity. What can I sell the fastest? You might need the cash or to give investors a little upfront faith in the market. If the housing market is flat but the office market is booming, then you might have to compromise your original plans and start with what will bring in some contracts. Of course, everything has a…
- Market pricing. Price. Yes, everything has a price. Sales velocity is typically related to pricing. Without reducing quality or speed, the lower the price the more sales. Not always. But where you and your competition are all doing the same thing – and your development product is essentially a commodity – price matters. And when real estate markets retreat, lower price and affordable often trumps high price and luxury. So you decide the first place to start is where you can deliver the lowest price-point properties. Or, in an upwardly accelerating market, it could be time to capitalize on all the loose money and sell more expensive homes – the waterfront stage first perhaps.
- Brand establishment. One big difference between master-planned projects and one-off projects is 'estatewide' branding. The first stage of your project will set the scene for what lies beyond. It's your project curb appeal. Do it nicely, and you can build up sales momentum to continue to the other stages. So the decision might be to start with a

stage that includes high specifications, stamping the seal of quality on the project from the outset. The brand is more than just your product though. It is also what else your master-planned project can provide. And that includes...

- Amenity. A common formula is to build parks, lakes, waterfront esplanades, ski-lanes, golf courses, wetland sanctuaries, playgrounds, public plazas or whatever 'drawcard' your project has upfront (like these). That helps your brand, by providing buyers or tenants amenity to use from day one. So your first stage may simply be all of the communal amenity with immediately ensuing stages those that are close to those features. Conversely, you may first need product to be developed to establish market demand. Think of the shopping center in the middle of a new housing suburb. You need the people living there, to build a customer base before you can attract retail tenants. Retail follows roof-tops is the old adage (but not always applicable).
- Profile. If your first stage is to set the scene, for a decade or so of fantastic developing ahead, then the place where your project site gets the most profile could be the best place to start. Maybe that's beside the main road. Top of a hill. Viewable from the freeway. Next to an existing shopping center.
- Public Relations. Perhaps the profile you are harnessing is not physical but something more ethereal. Do you need to make a statement and build the publically aware affordable housing scheme first? Or the more 'green and sustainable' parts of the project? Alternatively, could this be a development where you want to keep a low profile, say a heavy industry, industrial park? So you begin with whatever is furthest from sight and mind.
- Demand. In a purely private profit-based development, demand is linked to both market velocity and market price. However, if you are developing in conjunction with a government housing provider then you might need to satisfy demand from a homelessness waiting list. That stage of the development might be first off the rank. Or post a natural disaster, the commercial section of your site might now be the place for businesses to relocate from their damaged offices. I recall Christchurch where the entire CBD had to up and leave for the suburbs. A similar situation happened in the wake of 9/11 in New York.
- Livability. Few people like living or working next to a construction site. No one really wants their kids strolling to the local primary school while 18 wheelers motor down your suburban street full of rubble leaving a dust trail in their wake. Your high profile tenant taking 20,000m2 of your suburban office park is going to lose their patience if you are detonating rock in the hillside next door 9 to 5. The staging may have to take explicit account of post-occupancy livability (or workability).
- Access. It might be a simple as getting stuff in and out. Perhaps there is only one road to your master-planned project and Stage A is where that road first hits your boundary. Or perhaps there are multiple access points to choose from, so you choose the one that allows the most efficient construction. Sometimes – especially with urban brownfields- you must keep the end in mind and start in the deep reaches at the back of your site, so you don't box yourself in
- Civil works constructability. There could be other constraints on your site which dictate where you build first. It might be necessary to excavate a hill first to fill in a valley

elsewhere. Otherwise, you are stuck with a pile of dirt you can't get rid of. Or, the soil on part of your site might be the highly expansive peat (think dirt in an ancient swamp or bog) and you need to compress and let it dry for months or years to 'settle down' to a natural level.

- Above ground constructability. Maybe you want to get rid of difficult construction on a hillside, next to a river or along the coast first. Or perhaps, at this initial point in time, only building single level family homes sits within your development sphere of expertise. The apartments you have planned will need to wait until later stages when you expect you will be better equipped.
- Civil construction cost. If your site has no redeeming features, no locational value differential, one product type and not a lot else – imagine a sea of standardized homes, with the same beige roof, in the same grid-like (or so 60's cul-de-sac type pattern) – then it might be as simple as focussing on what purely is the most efficient and economical way to build out the site.
- Seasonality. In wet climates, you may be restricted to bulk earthworks to the summer months. That could impact your staging to make the most of your earthworks season. Similarly, for snow, you might not be able to do any construction – how do you maximize the summer? Or in extremely hot climates, how to do you maximize the cooler winter construction season? And then there are those pesky holidays like Christmas and Chinese New Year that for human resource reasons determine a different staging agenda.
- Infrastructure. Let's say you have to build a main arterial road through your site, but you haven't quite agreed with the authorities its exact location. Without a resolution. you might be precluded from developing areas adjacent to that road. It might prevent you from developing areas a long way away from that road as well, due to having to allow for levels and the flow-on effects of one roads location on other roads in your intended site network. Roads (as we have discussed before here) can have a big impact on staging. Or what if your project is limited in allowable retail square footage until the local authority has upgraded the intersection on the main road out the front? Or the wastewater authority tells you they only have the capacity for homes on the half of your site closest to their existing network? And that just happens to be the half you originally wanted to develop last – and the rest has to wait until the neighboring developer builds a new pipe.
- Neighbors. Talking about boundary buddies. Neighbors can influence which stage you commence for a variety of reasons. Look at those NIMBY's where you simply can't get permission from them for whatever reason (to buy their piece of land, push height to boundary rules, require an easement for access or services, want to build a shared retaining wall, must get their permission to shore up their building foundations etc). That may compel you to commence a different stage earlier, as you wait them out, or simply buy time to think through a new strategy. Or perhaps your neighbors at one end of your site are in the swankiest zipcode in town. So beginning the development closest to them helps your project from a prestige and profile point of view. On the other hand, maybe your site straddles a complex which at best, is politely described as Hotel California. This neighbor might give you reasonable cause to start your development as far away as possible.

- Existing buildings & land tenure. You may have to stage works around parts of your site because there are tenants still in business, leases still left to run or rental agreements with home occupiers. You may want to continue some leases or lease out existing space to create a revenue source whilst you undertake your design and planning. Sometimes existing buildings are a cost-effective construction headquarters or make for an ideal shell for a marketing showroom. Typically, the ideal structure is to move all tenants to periodic terms and a 'demolition clause' that allows you to remove them with say up to 6 months notice.
- Flexibility. Maybe there are just so many issues to deal with, that retaining maximum flexibility for future planning, is the top priority. So you focus on the stages that have no alternative option first.
- Clarity. Similarly, the first stage you start with has the most clarity. The market is certain, the risks exposed, the issues are sorted. Subsequent stages are based on the level of clarity you reach, by the time you need to start the next stage.
- Risk and certainty. In the same vein, what stage represents the lowest risk? – let's start with that. Which stage do have close to zero visibility on what we are going to do -let's leave that to last.
- Timing. Speed could be your prime aim. What staging is going to get this project finished in the shortest amount of time? It might be a self-imposed restriction. Or imposed by your investors, funders or government regulations (like when zoning could expire or you are subject to government-imposed investment controls). Or is patience your forte? You want to stage the project so you do the absolute minimum to cover costs, whilst you go for the rezoning profit jugular with a planning application that might take half your children's school years to get approved. Or you are simply content (and wealthy enough) to wait it out until the market improves, and your land value with it.
- Profit. All things considered, what makes us the most profit? – Isn't this the only reason to choose a place to start? It can get hazy though. Does your profit include assumptions about value escalation created by early stages that will hopefully increase the value in later stages? Is it this financial year's profit you want to maximize? Or maybe you are a listed company, you can only see as far as the next quarter's profit (not always the best focus for long term real estate developments)? Is it the total overall project profit to be maximized? Are you measuring that in absolute dollars – the highest number of suitcases filled with greenbacks this project will deliver? Or are you measuring it in cash on cash return? Or the internal rate of return? That could lead your staging strategy to focus on maximizing net revenues versus expenses over time.
- Cashflow. Finally, (at least for this list) how does your staging take into account project cashflow? You might have plans for lakes, an aerodrome and an equestrian park to rival badminton, but your bankers simply aren't going to pony up the money for all this extravagance (in their eyes, in yours it's all value-add!) until you get some revenue in. Your staging plan may then have to focus on those stages that create higher revenues and lower costs early on and save stages with larger costs (like public infrastructure upgrades) to later in the project. Or do you have the financial clout to take advantage of lower costs for expensive items now rather than face cost escalation in the future?

If you have had the pleasure of working on a master-planned project of any significant size then you know, it's likely many of the above factors are going to play a role. Some appear obvious (in the absence of complications who doesn't want speed and profit?). Most overlap in multiple ways. And that list above is not even the half of it.

This is not a one-off decision though. It's not just where you start, it's everywhere you continue. You might need to consider all the same factors multiple times throughout the development timeline. Or some factors may need to be set in stone, because of long lead times, or commitments. Then, regardless of what makes the most sense (perhaps from a profitability perspective), you are forced to stay to course.

A master-planned project requires you to make a lot of decisions regarding staging and the timing of those stages. That makes it significantly different from a one-off project And it takes a whole lot more teamwork and coordination – which leads us to the topic for next time.

Cheers

Andrew Crosby

P.S.

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- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

As Safe As Houses – Gone Digital! September 15, 2019

As Safe As Houses – Gone Digital!

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Cheers

Andrew Crosby
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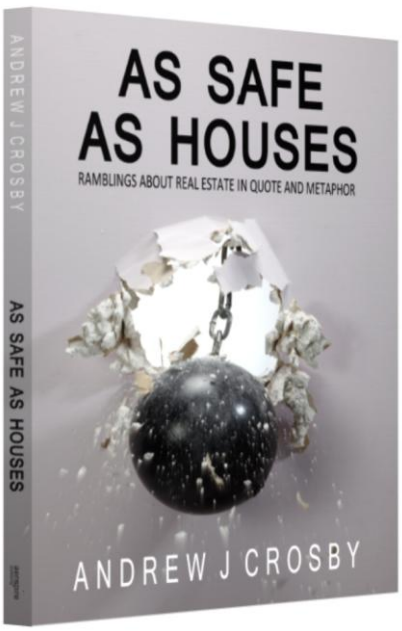

Master-planned Projects #3 Feasibilities September 14, 2019

Master-planned Projects #3 Feasibilities

The Developer Chronicles: Master-planned Projects

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The DC: Master-planned Projects #3 Feasibilities

The financial feasibility is the guiding light for any real estate development. And the very bottom line represents everything about the project: the profit. I have written here about the profit before describing how it represents more than most people think. But at the end of the day profit drives projects. And at financial feasibility stage no profit = no project.

Profit and the Return on Cost

Everything you need to know about a project's financial status is wrapped up in a single measure of profitability: the return on cost. The Return on Cost calculation is basic. The Return on Cost (RoC) is the Net Income (Total Sales less Total Costs) divided by Total Costs. Net Income is another way of saying Profit.

RoC = Profit / Total Costs

For example, if you proforma $10,000,000 of sales, and incur $8,000,000 of costs you have $2,000,000 of Net Income. That's $2,000,000 of Profit. The Return on Cost is $2,000,000/$8,000,000 = 25%.

Some developers will calculate the Net Income slightly differently. They might use Gross Margin (margin is really just another word for profit) before sales commission, include commission in the costs, or take it from gross sales, either look at pre or post finance, include or exclude various taxes and place contingency outside of the equation. Similarly, the Return on Cost might have variations to it. It doesn't really matter. I like to include every cost, including an allowance for finance and contingency and internal overheads and development management in the total cost denominator. Everything except income tax on net profit. That best represents the cash residual at the end of the today you can put in your pocket before having to pay the taxman.

Financial Feasibility

From hereafter I will simply refer to *feasibility*. What I specifically mean is the *financial* feasibility*. Not to be confused by an architect's feasibility, which is just a bunch of drawings to demonstrate what and how many buildings could fit on the site. The *feasibility* can come in all shapes and sizes** but at the end of the day will include a summary something like this:

Development Project Financial Feasibility - Simple			
Income	#	Unit	
Shops	10	500,000	$ 5,000,000
Homes	300	900,000	$ 270,000,000
Total Income			**$ 275,000,000**
Costs			
Land			$ 25,000,000
Land Development/Civil Infrastructure			$ 25,000,000
Construction Shops			$ 10,000,000
Construction Houses			$ 120,000,000
Professional Fees			$ 8,000,000
Local Authority Charges			$ 9,000,000
Development Management Overheads			$ 4,000,000
Finance Interest + Charges			$ 10,000,000
Contingency			$ 10,000,000
Total Costs			**$ 221,000,000**
Net Income / Profit			**$ 54,000,000**
Return on Cost			**24%**

This simple feasibility is calculated in today's dollars. It ignores the time value of money effect, except that the longer the project takes, the higher the finance interest cost will be. In today's low-interest-rate environment, the time value is less meaningful anyway.

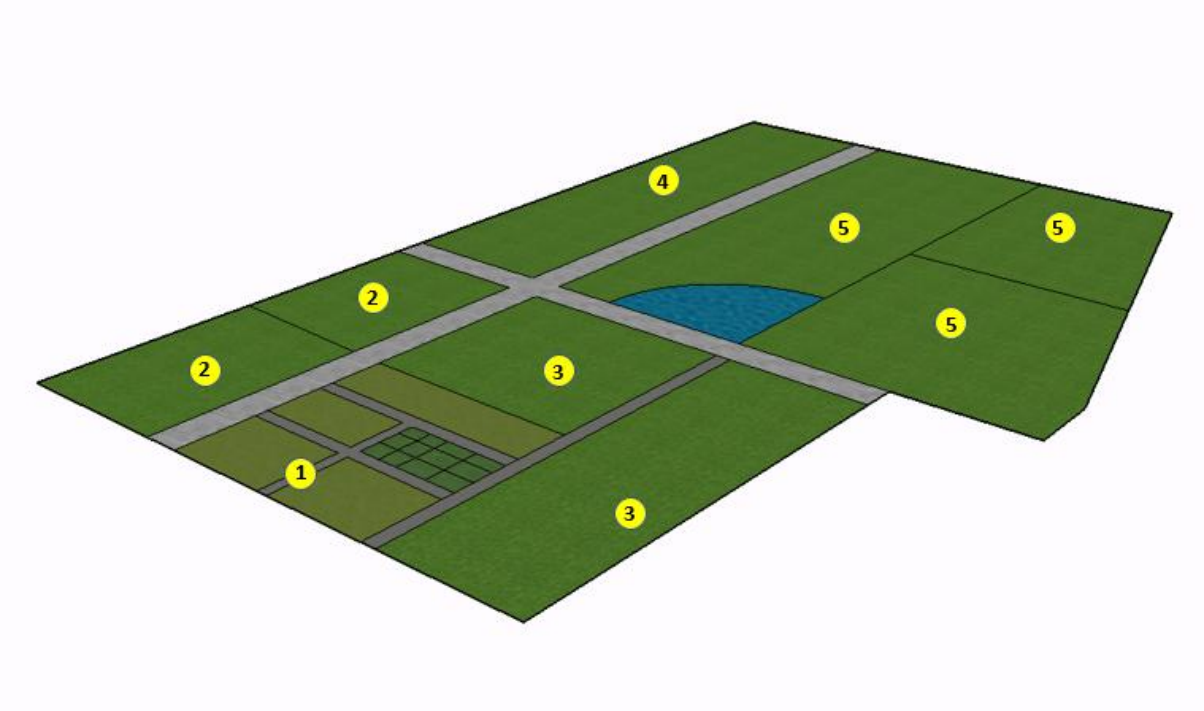
**For most of you reading this, I have not described anything new. If you are a novice and want to understand everything that needs to be included in a development project financial feasibility and how to build one then I have two suggestions: House, Land, Love & Money and Turnaround Success. In both books, I dive deep, fully deconstructing development project financial feasibilities.*

***I also don't buy into the need to have specialist proprietary software to create a financial feasibility. The software vendors will argue, that a spreadsheet can introduce too many errors. And they are right if you don't either make the spreadsheet real simple, or integrate checks and balances. But my two main peeves with proprietary software are, one, it can be difficult to understand the assumptions under the hood. And two, no development project is the same and often the proprietary software doesn't give you the flexibility as you require it. I prefer Microsoft Excel. Each to their own. The other thing I will add is that the size or complexity of your spreadsheet does not mean you are any better at predicting the future. Often a ten year feasibility broken down into monthly cashflows is no better predictor of the actual outcome than a few notes on the back of an envelope – keep this comment in mind later on. However, a more detailed feasibility does help you identify and quantify risk. This is another area where forcing yourself to to create your own feasibility is preferable to relying on input boxes where you don't quite know how the outputs are calculated.*

This type of feasibility is all you need for a one-off project. Assume the above represents an apartment tower (homes=apartments) built, in say three years, with presales before construction starts and a fixed price contract. The effect of time is all captured in the finance cost and presales and the fixed price construction price, prevent inflation or deflation having an

effect. (This, of course, is rarely the case, even for a project that takes six or 12 months, but for feasibility purposes, it is a valid assumption).

Now let's consider a master-planned development feasibility. The summary might be no different. However, in my definition, a master-planned development takes place over several years, even decades and in various stages. Imagine something like this diagram.



If we cashflow our summary out according to each stage (probably easier to think about stage and year as one and the same) then the feasibility expands to look something like this:

Development Project Financial Feasibility - Cashflow by Stage - Todays Dollars							
Income			**1**	**2**	**3**	**4**	**5**
Shops	$ 5,000,000				5000000		
Homes	$ 270,000,000			67500000	67500000	67500000	67500000
Total Income	**$ 275,000,000**		**0**	**67500000**	**72500000**	**67500000**	**67500000**
Costs							
Land	$ 25,000,000		25000000				
Land Development/Civil Infrastru	$ 25,000,000		8333333	8333333	8333333		
Construction Shops	$ 10,000,000			5000000	5000000		
Construction Houses	$ 120,000,000		24000000	24000000	24000000	24000000	24000000
Professional Fees	$ 8,000,000		1600000	1600000	1600000	1600000	1600000
Local Authority Charges	$ 9,000,000			2250000	2250000	2250000	2250000
Development Management Over	$ 4,000,000		800000	800000	800000	800000	800000
Finance Interest + Charges	$ 10,000,000		1000000	2000000	3000000	2000000	2000000
Contingency	$ 10,000,000		500000	2000000	3000000	2000000	2500000
Total Costs	**$ 221,000,000**		**61233333**	**45983333**	**47983333**	**32650000**	**33150000**
Net Income / Profit	**$ 54,000,000**		**-61233333**	**21516667**	**24516667**	**34850000**	**34350000**
Return on Cost	**24%**						

It's the same Profit $ and the same Return on Cost %. Nothing different to see there. But we have expanded the detail to show what revenue we expect to receive and expenses to be paid in

each stage. If you want you could discount future stages and calculate the Present Value and the Internal Rate of Return, but I am not going there in this article. The main difference is the master-planned project typically takes a lot longer than the one-off project, all things else equal. (Plenty of standalone projects can be delayed years and decades because of market conditions or issues. I have plenty of examples here. But that doesn't mean they become a master-planned development, it's just they are a one-off with delays!).

Escalation

So let's assume you have done all your due diligence, created a master-site-plan and are happy with all your sales projections and costings – in today's dollars. And let's assume each of the five stages shown above takes two years. That means this is a ten-year project. Do we really think we know where the real estate market will be in ten years time? No one has that power of prediction – despite what one might try and convince you. But, we are in the development business and we must make some financial projections to satisfy investors and funders. The tendency is to allow for inflation by escalating cashflows. I.e. we forecast (guess) that sales prices will rise and costs will also. That is an attempt to give us a more realistic view of the actual cash coming in and out in later stages. When we do that the feasibility will look like this.

Development Project Financial Feasibility - Cashflow Escalated - EVEN								
Income				**1**	**2**	**3**	**4**	**5**
Shops		$	5,000,000	0	0	5000000	0	0
Homes		$	270,000,000	0	67500000	67500000	67500000	67500000
Total Income		**$**	**275,000,000**	**0**	**67500000**	**72500000**	**67500000**	**67500000**
Income Escalated	3%	$	296,171,167		69525000	76915250	73759073	75971845
Costs								
Land		$	25,000,000	25000000	0	0	0	0
Land Development/Civil Infrastru		$	25,000,000	8333333	8333333	8333333	0	0
Construction Shops		$	10,000,000	0	5000000	5000000	0	0
Construction Houses		$	120,000,000	24000000	24000000	24000000	24000000	24000000
Professional Fees		$	8,000,000	1600000	1600000	1600000	1600000	1600000
Local Authority Charges		$	9,000,000	0	2250000	2250000	2250000	2250000
Development Management Over		$	4,000,000	800000	800000	800000	800000	800000
Finance Interest + Charges		$	10,000,000	1000000	2000000	3000000	2000000	2000000
Contingency		$	10,000,000	500000	2000000	3000000	2000000	2500000
Total Costs		**$**	**221,000,000**	**61233333**	**45983333**	**47983333**	**32650000**	**33150000**
Costs Escalated	3%	$	232,489,839	61233333	47362833	50905518	35677537	37310617
Net Income / Profit		**$**	**63,681,329**	**-61233333**	**22162167**	**26009732**	**38081536**	**38661228**
Return on Cost			**29%**					

Did you notice something? And every developer would have instantly. Even though we have escalated both income and expenses at the same 3% rate, we have magically created additional Profit and a higher RoC That is a function of two things: one, simple maths – revenue is higher than costs therefore if you escalate both at the same rate the profit gap will increase. Two, you typically incur costs in advance of sales, so there is less time to escalate costs and more time to escalate sales revenue. For one big-ticket item – the land purchase -it's price does not increase. Infrastructure construction costs – bulldozing dirt and building roads – is also incurred in advance of above-ground building.

Few forecasters limit their optimism though. Especially if you have had previous years of sale price growth in the market place at five or more percent. It will be difficult to do anything but continue to forecast that trend into the future. Ironically few forecasts temper their pessimism

regarding construction costs, even with five percent or more increases in previous years. The tendency is to limit future increases to inflation plus. Put those two optimism-bias based factors together and your feasibility might end up like this.

Development Project Financial Feasibility - Cashflow Escalated - HIGH							
Income			**1**	**2**	**3**	**4**	**5**
Shops		$ 5,000,000	0	0	5000000	0	0
Homes		$ 270,000,000	0	67500000	67500000	67500000	67500000
Total Income		**$ 275,000,000**	**0**	**67500000**	**72500000**	**67500000**	**67500000**
Income Escalated	5%	$ 310,992,609		70875000	79931250	78139688	82046672
Costs							
Land		$ 25,000,000	25000000	0	0	0	0
Land Development/Civil Infrastru		$ 25,000,000	8333333	8333333	8333333	0	0
Construction Shops		$ 10,000,000	0	5000000	5000000	0	0
Construction Houses		$ 120,000,000	24000000	24000000	24000000	24000000	24000000
Professional Fees		$ 8,000,000	1600000	1600000	1600000	1600000	1600000
Local Authority Charges		$ 9,000,000	0	2250000	2250000	2250000	2250000
Development Management Over		$ 4,000,000	800000	800000	800000	800000	800000
Finance Interest + Charges		$ 10,000,000	1000000	2000000	3000000	2000000	2000000
Contingency		$ 10,000,000	500000	2000000	3000000	2000000	2500000
Total Costs		**$ 221,000,000**	**61233333**	**45983333**	**47983333**	**32650000**	**33150000**
Costs Escalated	3%	$ 232,489,839	61233333	47362833	50905518	35677537	37310617
Net Income / Profit		**$ 78,502,771**	**-61233333**	**23512167**	**29025732**	**42462151**	**44736055**
Return on Cost		**36%**					

Look at all that profit! Note that we haven't increased density and sold more properties. We haven't value-engineered the design. We haven't found a cheaper method of construction. We haven't added marble tiles to the bathrooms to increase the sale price. No, we created 24.5 million dollars simply through the power of innocent escalation.

Now our escalation guesstimate might prove correct, you will never know until stage five is complete – in this case a decade later. But equally so the market might deteriorate. Why not put this feasibility forward?

Development Project Financial Feasibility - Cashflow Escalated - LOW							
Income			**1**	**2**	**3**	**4**	**5**
Shops		$ 5,000,000	0	0	5000000	0	0
Homes		$ 270,000,000	0	67500000	67500000	67500000	67500000
Total Income		**$ 275,000,000**	**0**	**67500000**	**72500000**	**67500000**	**67500000**
Income Escalated	-2%	$ 261,569,311		66150000	69629000	63530460	62259851
Costs							
Land		$ 25,000,000	25000000	0	0	0	0
Land Development/Civil Infrastru		$ 25,000,000	8333333	8333333	8333333	0	0
Construction Shops		$ 10,000,000	0	5000000	5000000	0	0
Construction Houses		$ 120,000,000	24000000	24000000	24000000	24000000	24000000
Professional Fees		$ 8,000,000	1600000	1600000	1600000	1600000	1600000
Local Authority Charges		$ 9,000,000	0	2250000	2250000	2250000	2250000
Development Management Over		$ 4,000,000	800000	800000	800000	800000	800000
Finance Interest + Charges		$ 10,000,000	1000000	2000000	3000000	2000000	2000000
Contingency		$ 10,000,000	500000	2000000	3000000	2000000	2500000
Total Costs		**$ 221,000,000**	**61233333**	**45983333**	**47983333**	**32650000**	**33150000**
Costs Escalated	3%	$ 232,489,839	61233333	47362833	50905518	35677537	37310617
Net Income / Profit		**$ 29,079,472**	**-61233333**	**18787167**	**18723482**	**27852923**	**24949234**
Return on Cost		**13%**					

I have never seen a feasibility presented to anyone who is going to make a decision to fund or invest into a development project which would be so bold to suggest sales prices will go down, and construction costs will continue to rise. But those exact circumstances can and do happen – most often just prior to the peak of a cycle, when peak development feasibilities are being created! That pessimistic approach is just as realistic assumption as the better looking pink and peach(y) feasibilities above.

The moral of escalation (and similarly deflation) is this. Use it to look at your upside versus your downside – sensitivity – but be weary of only showing sales prices that escalate in excess of costs to make decisions or to set inflated investor expectations. In master-planned projects, due to their longer time horizons as compared to a one-off project, the impact of escalation can easily trump all other assumptions. And at the end of the day, it's just a big fat guess. Sure property prices always eventually rise you say, and in many growth cities of the world you might be eventually proven true, but in your ten year project will that happen in year ten or year twenty?

I prefer to use the todays-dollar feasibility, without escalation to make decisions. It's one less assumption that is required. It also makes you appreciate the risks you need to control more – like construction costs, good old value-engineering and market appropriate design.

Reforecasting

When you sign off on the feasibility for a one-off project and start construction the feasibility typically turns into the budget. You monitor the budget as you move forward and at the end of the project review where it all ends up. Unless your one-off project has come off the rails or morphed into a master-planned project with a number of stages to be completed over multiple years, there is no need to re-forecast the feasibility.

A master-planned project requires constant re-forecasting however. Rarely do you get funding or investment permission for every dollar the project will need over the master-planned projects lifetime. And from a risk management point of view neither should you. Even if you did, you need checks and balances. Re-forecasting the feasibility is the best way. At a minimum, you need to comprehensively re-forecast at each stage, to show the actuals of what has been achieved and the projections for the stages to come.

Here we put ourselves four years down the track, at the completion of stage two. We re-forecast in unescalated dollars: that is the actual dollars that were received and spent and the forecast of what is left to deliver, in today's dollars.

Development Project Financial Feasibility - Reforecast @ Stage 3 in Stage 3 Dollars								
				1	2	3	4	5
Income				**Actual**	**Actual**	**Forecast**	**Forecast**	**Forecast**
Shops	10	$	5,000,000		0	5000000	0	0
Homes	300	$	290,500,000		65500000	75000000	75000000	75000000
Total Income		**$**	**295,500,000**	**0**	**65500000**	**80000000**	**75000000**	**75000000**
Costs								
Land		$	25,000,000	25000000	0	0	0	0
Land Development/Civil Infrastru		$	26,500,000	7500000	9000000	10000000	0	0
Construction Shops		$	10,000,000		5000000	5000000	0	0
Construction Houses		$	138,000,000	24000000	28500000	28500000	28500000	28500000
Professional Fees		$	8,900,000	1600000	1800000	1800000	1900000	1800000
Local Authority Charges		$	9,100,000		2350000	2250000	2250000	2250000
Development Management Over		$	4,000,000	800000	800000	800000	800000	800000
Finance Interest + Charges		$	12,000,000	1000000	2500000	3500000	2500000	2500000
Contingency		$	10,500,000	1000000	2000000	3000000	2000000	2500000
Total Costs		**$**	**244,000,000**	**60900000**	**51950000**	**54850000**	**37950000**	**38350000**
Net Income / Profit		**$**	**51,500,000**	**-60900000**	**13550000**	**25150000**	**37050000**	**36650000**
Return on Cost			**21%**					

It looks like we are doing a little worse than the original overall unescalated prediction (orange above). Not an uncommon site in property development! But that can reverse later down the track with a spike in the real estate market selling prices – it's just that we are not predicting that here.

The project fundamentals haven't really changed. We are assuming the same number of homes and shops in the same area of land. But, another big difference between a one-off project and a master-planned project is master-planned projects can evolve dramatically.

A decade is a long time for your prediction to stay the course. In all but the most fringe suburban plain vanilla – no room ever for negotiation or replanning – zoning environments, you should realize that you might have to change your product mix. And sometimes quite substantially. So four years down the track in our little scenario we find the development is still making a profit and it's only down a few million from our unescalated original assumption. But the general area has seen an influx of businesses and office space being built. The shops we intend to sell next year look in good financial shape but a new opportunity has emerged: a mid-range hotel for business travelers. The plans have been drawn up, the numbers crunched and fed into this feasibility.

Development Project Financial Feasibility - Reforecast @ Stage 3 in Stage 3 Dollars - Product Changes								
				1	2	3	4	5
Income				**Actual**	**Actual**	**Forecast**	**Forecast**	**Forecast**
Shops	10	$	5,000,000		0	5000000	0	0
Homes	250	$	275,500,000		65500000	75000000	70000000	65000000
Hotel	1	$	40,000,000					40000000
Total Income		**$**	**320,500,000**	**0**	**65500000**	**80000000**	**70000000**	**105000000**
Costs								
Land		$	25,000,000	25000000	0	0	0	0
Land Development/Civil Infrastru		$	26,500,000	7500000	9000000	10000000	0	0
Construction Shops		$	10,000,000		5000000	5000000	0	0
Construction Houses		$	138,000,000	24000000	28500000	28500000	28500000	28500000
Construction Hotel		$	15,000,000				10000000	5000000
Professional Fees		$	9,200,000	1600000	1800000	1800000	2200000	1800000
Local Authority Charges		$	9,000,000		2350000	2250000	2150000	2250000
Development Management Over		$	4,050,000	800000	800000	800000	850000	800000
Finance Interest + Charges		$	12,400,000	1000000	2500000	3500000	2800000	2600000
Contingency		$	10,500,000	1000000	2000000	3000000	2000000	2500000
Total Costs		**$**	**259,650,000**	**60900000**	**51950000**	**54850000**	**48500000**	**43450000**
Net Income / Profit		**$**	**60,850,000**	**-60900000**	**13550000**	**25150000**	**21500000**	**61550000**
Return on Cost			**23%**					

By using some of the land previously dedicated to homes to build a hotel, we can improve the overall profit by $9 million. This is a simple example, the reality can often be stranger than the fiction you predicted years earlier.

Depending on your company structure there might be a tendency to ignore the past and simply re-forecast the future. I like keeping them in the same overall master feasibility. Analyzing where you have been will lend more accuracy to your projections moving forward, especially as risks become better known.

Re-forecasting is another way of saying, get your feasibility up to date for the highest and best (aka most profitable) use of your land. The more you reforecast the better. In a good market, and you are surpassing your profit target, it might seem less urgent. But don't rest of your laurels – reforecast to take advantage of new opportunities. Yes draw a line and keep the delivery engine running hot but don't forget to test even better alternatives that may surface. In a poor market, you might have no option to but to spend all day testing the viability of alternative schemes, re-forecasting to save whatever profit was first predicted.

Live Feasibility

I am a strong believer in live feasibilities. This is when significant changes, new risks or risks solved are integrated into the feasibility as soon as you know about them. As soon as an assumption is clarified then you update the feaso. A cost increase – update the feaso. You can push the sales prices higher – update the feaso. Council are going to sting you for infrastructure not previously allowed – update the feaso.

This is a risk control mechanism. Even if you do this outside your normal budgeting processes. But updating the feasibility is your best way of seeing where your budget currently lies, and dealing with a potential short-fall early.

A master-planned projects overall feasibility might be massive and something you are reluctant to have open to change on your desktop every day. But someone in your team must be doing

this, so you know the true financial picture of your project. Probably you! If you can't get your head around that, then make a conscious time to update the feasibility – once a week, a month, god forbid once a quarter. Don't leave it until you are formally required for investors, funders or the board – surprises don't go down that well.

Now, you might not actually change anything when you update the feasibility. Because no new information warrants a change or no assumption is clearer clarified. But the key is you have gone over it and checked what you did previously assume still holds. It's a good discipline to be regularly updating the risks and clarifying their potential financial impact and testing against the summary feasibility. Even if you only formally integrate it when there is more certainty or a significant change in the $$$.

Multiple Projects, Multiple Options, Multiple Feasibilities

A one-off project has one financial feasibility and so should a master-planned development. But the reality is a master-planned project is a collection of subprojects that will typically traverse multiple financial years and potentially multiple investors and funders. In our feasibility, maybe each stage is not a couple of years, but indeed a separate subproject determined by its location in the masterplan.

Different product types often need different types of feasibilities. If for nothing else to determine their own relative profitability amongst alternative options. For example, in our project 'shops' might be a small retail mall on the main road at the entrance to the development. At some point in time, it should be broken out and examined on its own. Is it 10 shops of 100m2 or 15 at 75m2? Are we selling shop condo's to business owner-operators for a fixed rate, say $500,000 each. Or are we selling to investors who will in turn lease the space at 40,000 NNN per annum? And what yield do those investors demand? What about a few retail outlets and the rest as serviced office space? Do we really need the shops, should it be an apartment building instead? Having separate sub-project feasibilities makes it easier to handle this analysis.

Consider a billion-dollar project with a master summary feasibility where, within, each of 11 stages (based on civil infrastructure sequencing) each had its own feasibility. That was further broken down into the 36 super-lots. Big-ticket cost item issues that affected the overall development were updated in the stage feasibility, automatically updating the summary feasibility. Analysis of different product type options was done at a super-lot level – with each feasibility standing on its own. And as soon as a new product type made more profitable sense, that super-lot feasibility replaced the old one in the master.

In a flat market that involved looking at different feasibility options on different super-lots all day long trying to itch out the best profit. A new architect might have some creative ideas – so we do a feasibility. A competitor might have launched a new type of layout down the road – so we model it for our site and do a feasibility. Something a bit different comes across LinkedIn – lets test that here and do a feasibility. One day artificial intelligence might be able to automatically generate all the potential feasibilities on a site (I go into detail on that here), but until the future arrives….we do a feasibility!

So within your master feaso you need to be able to separate out the sub-projects. But they still need to link back. Always be conscious of testing a change in one sub-project's effect on the master feasibility. Land creep is one such reason.

Creep

Land creep occurs when in order to improve one particular stage's feasibility (usually the current stage you are ready to obtain budget approval for) land is stolen from the future stage in order to build more houses/shops/offices/stuff. The current stage's feasibility now looks great, but what damage have you done to subsequent stages. Only by integrating it into the master (or having both stage feasibilities running side by side) can you be sure of the overall Profit and Return on Cost implication.

Density creep is another reason. This is where one stage steals gross floor area, number of units, height or whatever cap from another stage. You may have a zoning induced ceiling for the entire development. And stealing some now for short-term gain may decrease your overall long term gain.

For example, let's say your master-planned project has ten apartment towers planned. Three have sea views. The rest won't and everything else is basically the same. Your zoning allows you a maximum of 250,000m2 of developed floor area across the total project. [Just multiply it by ten if you are American and prefer square feet] You are leaving the sea view towers until the very last stage and are allowed to go up 50 stories and 25,000m2 each (total 75,000m2). The stage you are currently looking at includes the fifth and sixth towers, both without views. Originally you had them at 30 stories each, but you are allowed by planning officials to go up to 50 levels. You have already developed 145,000m2 and originally these two towers, in the worse location were going to be 15,000m2 each (total 30,000m2).

But the profit on this stage is not looking too smart. To improve the profit you steal 20,000m2 from the last stage and add it to this stage. Towers six and seven are now 50 stories high and 25,000m2 floor area. The profit on this stage looks great: $3,000 per m2. But the last three towers, the ones that will command the highest prices with no additional incremental cost, are now reduced to a total floor area of 55,000m2 at a higher relative profit of $5,000 per m2. When you look at the overall feasibility, you have essentially sacrificed 20,000m2 at $2,000 per m2 of profit. What's $40mil between friends? Best to always look at the impact across the master feasibility.

Infrastructure creep is similar to density creep. Your master plan site might have restrictions or caps on the amount of sewage/traffic/power/stormwater. The allocation of this creep between stages needs to be carefully considered. Don't use it all up in one place and leave the last stage hanging – or whatever other implication it could have.

And there probably are a dozen other creeps which you can find on your own project (Political opportunity creep, annoying neighbors creep, public amenity creep.....).

That's enough about financial feasibilities for the time being.

Since we have introduced the concept of stages, that important difference between master-planned projects and the standard one-off development will be our next topic of discussion.

Cheers

Andrew Crosby

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .
- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Master-planned Projects #2 Net Developable Area September 7, 2019

Master-planned Projects #2 Net Developable Area

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

AND via LinkedIN you can also contribute to this opensource education by commenting with your own experiences, strategies, tactics and ideas. That's where we can really embrace group network effects for continuous improvement in development management. Connect Here.

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Master-planned Projects #2 Net Developable Area

What is the very first thing a developer looks at when a new listing for a development site pops up on their screen?

- The price? Maybe, although most developers don't pay too much attention to what someone is asking.
- The location? Possibly, although many think location is only as good as the price.
- The site area? Absolutely.

The site area number becomes the cornerstone starting point for the back on an envelope financial feasibility calculation*. For a typical one-off development site – where it sits within existing roads and neighboring properties – its entire site area, all the land you are buying (whether 300,000 sqft or 3,000m2), is the Net Developable Area (NDA).

Site Area = Net Developable Area. You can develop on the whole site and sell 100% of that site. Note: that doesn't necessarily mean you can build on the whole site, as outside town centers there are likely planning rules for example front yards and maximum building coverage.

However, now let's bring in the master-planned project.

At a minimum, if you have to build at least one public road, then site area DOES NOT equal Net Developable Area. You are going to lose at least the area of that road and its intersections. Public roads get vested to the local government authority. We talked a lot about roads last time, click here if you missed #1 Roads. You can't sell that land to construct houses/factories/offices or shops on top of.

What about streams and rivers? Well, normally you can't sell those, nor the land immediately adjacent. What about space that is already zoned public open space, or as a park? You can't use that to stick sellable plots on either. Pump stations, power transformers, public walkways, wetlands, native forests, wildlife sanctuaries – all have the potential to steel NDA from your master-planned acreage.

Yes, you might get publically reimbursed for the land that lies beneath some of these features. But more often than not, *losing* that land is a cost to your development.

And yes it's more common in greenfield master-planned developments, the ones at the outer reaches of the city, or near a natural feature, than for those large brownfield master-planned inner-city sites.

Therefore, when you purchase land for a master-planned development you are buying 'Gross Developable Area' (GDA). Say 100 hectares. But what you can sell, the NDA, is going to be much less. After you deduct soon to be publically owned laned (like roads and parks) you might be down to 70% or 60% of GDA. That means after starting with 100 ha you might now be down to 60 ha of sellable land or 'super-lots'. And of the land that remains, there may be private access ways and private but communally owned parks, lakes and other natural features that effectively can't be sold as well. Then, if you have a topography rich site, for example, unusable land on steep cliffs, you might be able to include the square meterage in the sale, but effectively it has no value. We are pushing semantics a bit here but your effective NDA might now be down to 50% or less of GDA.

You mean we have purchased 100 hectares and I can only sell 50? That's annoying!

As the GDA cloud of fog lifts above your master-planned community, revealing its true DNA, one might ponder this: not all similar sized master-planned sites are the same. No longer can you look at site area alone to determine the sellable footprint of the houses/factories/shops or offices you intend to place-make. You must convert the gross area of what you are buying to the net area of what you can sell, and base your financial decisions thereupon.

Further not all NDA is the same, let's discuss that a little more:

- Topography. A flat site almost always lends itself to maximizing NDA. You don't have pesky hills and valleys to navigate, or to expensively bulldoze into shape. A geographically featureless site also helps maximize NDA. No need to run roads around ponds and over streams and between blocks of native bush. Of course, property development is never so straight forward, and there are occasional exceptions. If you are developing an equestrian estate of 20,000m2 lifestyle blocks, you are going to have a higher percentage NDA, by virtue simply of not requiring as proportionally much road. In that case, the odd river or hill, may not make any difference at all.
- Density. If you are developing medium density housing with a retail town center surrounded by apartments then road efficiency is extremely important. Every little slope of the land is going to be in the way. And every square yard of additional NDA is a nugget that needs to be mined.
- Zoning quality can be more important than quantity (they tell me). And it's not always the size of our NDA that is important. In a master-planned development the site could have multiple planning zones. This is where more NDA in the higher zoned area, at the expense of a greater loss in a lower zoned area may make sense. NDA for apartments zoned land could be more profitable compared to NDA for single family standalone housing. Similarly, light industrial small plots might be more profitable than heavy industrial large plots.
- Existing value. NDA on a north facing slope (southern hemisphere) – all things else equal – is going to be more valuable than the southern face. NDA with stunning vistas is better

than being blocked by the neighbor. NDA close to amenity, more desirable than further away. NDA on the lakeside more prized than a street behind. One ha of $1000 per m2 land ($10m) is more valuable than two ha of $300 per m2 land ($6m).

- Creating value. Look at an aerial photo of Metro Phoenix, Arizona. Zoom out a bit, what do you see interspersed between many the cul-de-sacs?.....(I can wait while you do this, I have plenty of time).....Some green. Oh and some blue. Yes, plenty of golf courses and quite a few lakes. Now since it all started out as desert, and in most places, relatively flat desert, this on first glance looks like a blatant disregard for what I described above: maximizing NDA. Of course, in the developers profit-maximizing wisdom replacing perfectly good NDA for housing with unsellable (and costly to maintain) fairways and water ski lanes has increased the total land value (at least I assume it worked out that way). Click here to look at some other novel ways of transforming NDA in order to improve profit (or at least create a marketing twist).
- Destroying value. Take an extreme situation, place some big ole city power transmission lines in your development and watch the value of the NDA underneath and nearby drop.

So as our discussion has progressed it's getting to the point where hard cash is taking over the importance of hard space. Where your site does have a significant tilt towards such value variances. an improved approach to maximizing total Net Developable Area is to maximize total Net Developable Land Value (NDLV).

But it goes even further than that. You really want to determine the Net Developable Profit Potential. What's the difference between NDLV and NDPP ?

It's the cost.

Once you factor in all the costs of trying to create more Net Developable Land Value, you may find you are financially better off to leave the country club features out of the master-plan. In those circumstances, it is easy to go full circle, and you end up with our initial prime consideration: to extract more NDA.

We'll talk more about the dollars and cents of NDA in the next edition of The Developers Chronicles: Master-planned Projects #3 Feasibilities.

Foot Notes

*The back of the envelope calc involves some key planning rules and a few 'rules of thumb' (each to their own) and might go like this:

[3000m2 site area] x [maximum building coverage 50%] = 1500m2

[4 levels high] x [1500m2] = 6000m2

6000m2 / [80m2 apartment size incl common area] = 75 units

[75 units] x [$20k per unit land value] = $1,500,000 purchase price.

Cheers

Andrew Crosby

P.S.

Now in this blurred world of social media versus professional media, my opinion versus my employer(s), salary versus side-hustle, middle of the business day versus 11pm on a Sunday evening, it can all get a bit confusing. So, here is my value proposition, and both complement and benefit each other.

- If you have a development site that you would like to sell some or all of, to develop yourselves, or to build houses then Universal Homes **www.universal.co.nz** might be able to help. We focus on delivering value-for-money homes in the 'relatively affordable' range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .
- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Destiny: Future of Real Estate Development September 7, 2019

Destiny: Future of Real Estate Development

PropTech – where does this all end up in years to come?

Well here's my version based on researching the progress of technology to date (318 footnote references) and where it might land in a generation or two.

I look at blockchain, smart legal contracts, asset tokenisation. Onsite, offsite and 3&4D printed construction. The evolution of retirement communities, retail, restaurants, supermarkets, home-technology, autonomous vehicles, sales and marketing, and property management. Robotics and swarm technology. Artificial intelligence, machine learning, computer vision, generative design, permitting and development financial analysis. Even ethics, waste management, biophilia and biogenetic architecture....and more.

All wrapped up in the life story of a real estate developer, being crushed with debt and his back against the wall vowing to create the most hi-tech and profitable project of all time..

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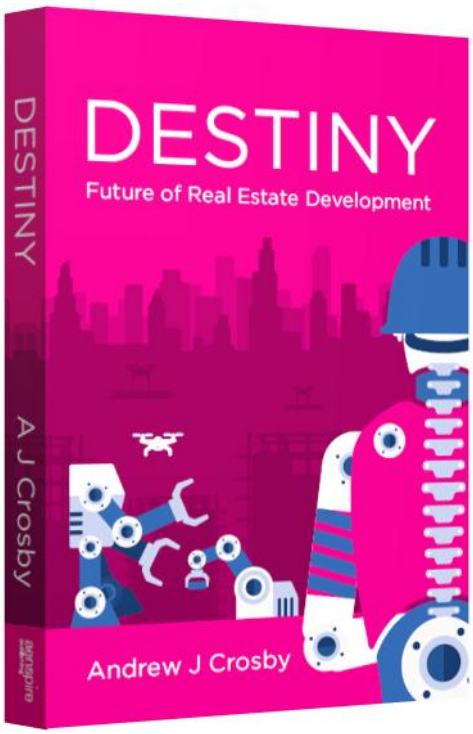

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Cover Blurb

Set in the latter half of the twenty-first century, told through the eyes of David – a Chicago real estate developer – and his international project team, this futuristic prose asks:

-How will artificial intelligence affect the role of architects, engineers and lawyers?
-Can blockchain change the very essence of property ownership?

-What settles the debate over autonomous transport?
-Where will we attain true building sustainability?

Grasp how work, living, dining, exercising, wellness, shopping and retiring will evolve. Discover how construction will embrace robotics, onsite manufacture and biogenetics.

Learn the impending implications for city authorities, appraisers, real estate agents, marketers and property managers.

"A thoroughly researched fable showcasing the history and predicting the advancement of built-form technology."

"Take yourself into the authors richly imagined future. It represents the global mega-trends everyone in the property business needs to prepare for."

This is real estate development's destiny!

Cheers

Andrew Crosby

Visit www.developmentprofit.com to see other publications and real estate development resources.

Master-planned Projects #1 Roads August 31, 2019

Master-planned Projects #1 Roads

The Developer Chronicles: Master-planned Projects

In this series, I describe master-planned projects. The discussion focuses on the difference between a one-off project and a multi-stage, multi-year planned development. I explore the factors that great development teams grapple with every day. I hope you find it of value.

AND via LinkedIN you can also contribute to this opensource education by commenting with your own experiences, strategies, tactics and ideas. That's where we can really embrace group network effects for continuous improvement in development management. Connect Here.

...

The DC: Master Planned Projects #1 Roads

When you purchase a single project site in an established area, more than likely you don't have to think too hard about the location of public roads. That's because they already exist and there is little you can influence their design and configuration. Sure, you might be able to tweak a corner, add some trees, move around driveways, but that will be about it.

Of course, existing roads come their own problems. If it's a tight site you might need to consider road width to fit a crane or delivery truck in. Do you have to shut down the road to connect to water and utilities? Is a bus stop in the way of your proposed garage entrance? Are you allowed a driveway from that particular road? Are you obliged to have retail along the frontage? And the list of planning and practical requirements goes on.

But today we are not talking private roads or internal 'joint-owned' accessways that you need to get cars parked and in and out of your development. We are talking about the big *new* roads – the public roads that will be owned by the local authority.

Let's assume your development involves people that arrive and leave using vehicles with wheels (just in case it's 2030 and you have found this on the interweb, and everyone now flys around in some sort of hydrogen powered drone). When you embark on a master-planned project, for a period of time, and potentially the entire time, roads are going to occupy both the right and left sides of your brain. The right side, because as boring as it sounds roads require creativity. The left hand side, because you are going to bombarded with a whole heap of technical analysis where logic should prevail.

What on earth's tarmac can be creative about roads you ask? Traffic engineers will give you a whole heap of answers to that one. To the rest of us only a few of those will sound marginally creative. But from a developer's point of view, how you deal with roads can maketh a project. And when I say maketh, I mean maketh money — or loseth.

When commencing a master-planned development from scratch, staring at a prairie of nothingness, one of the first things you must decide is what sort of roads you need and where they are going to go. Sounds easy right?

Hmmm...

Occasionally the location and size of the roads within your site will be prescribed through planning regulations. In other cases, you may only be dictated to as far as where the roads must start and finished, based on the intersections, to the existing roading network that border your site. In that case, where the road routes within, is up to you. Even so, that direction is typically only for the larger roads, the main highways, arterials, avenues and collectors.

In addition to those significant roads, you have a whole roading network to design. You must allow for the movement of vehicles from the existing network to the homes, shops, warehouses, offices (or whatever your master-planned estate includes). And allow for the traffic generated on every journey.

Your local authority/council will have a plethora of rules to help your architect complete a roading design. More than likely you will also need a traffic engineer to model the numbers, to determine what size roads and intersections you need. That's where the left side of the soft stuff inside the cranium is tapped. Well at least should be, since it's just all numbers and logic, right? Unfortunately, no. You would think an engineer's trip generation model (you know: how many drivers are going to be backed up at the lights at Monday 7.45am trying to access the freeway) would be purely analytical and not subject to opinion. But, at least where I have worked, that is not the case. Traffic engineers and their pac-man like digital scenarios square off against one another all the time.

Usually, it goes something like this.

Developer: *My development on this piece of road will only generate 385 trips per hour.*

Other side: *We think it will generate 500 trips per hour.*

Developer: *The data shows I only need a 20-yard-wide road and a small roundabout.*

Other side: *Our projections say you need to put in traffic lights, another lane and by the way, you will also have to upgrade the existing intersection 2 miles down the street. Oh yes and you also need another road over here.*

And then the argy bargy continues, quite often ending in court. All manner of arguments, with creative number crunching supporting them. And the local community gets their say – mainly those NOMS (Not On My Street) who are opposed to a single additional car in their neighborhood and every commercial enterprise who wants to stop the competition coming to town. So, it can get political. Who knows who has influenced who and how in the background. Eventually, someone banging a mahogany table in an ivory tower decides whose data and argument is best.

Why then can't the two parties, the developer and the local authority see eye to eye?

Well roads are expensive to build. The bigger they are, the more expensive they are to build. Intersections are especially costly, so are retaining walls holding them up, let alone bridges or tunnels. If you have to upgrade existing public road infrastructure, then the costs go stratospheric. The bigger and more elaborate the 'traffic device' the more money it takes away from the developer's margin. Or put another way, the higher the price the developer has to charge buyers for their new homes/factories/business premises. Naturally, developers want to keep costs down. And that usually means building the fewest least expensive roads (and all the civil paraphernalia in tow) as possible.

But, not always.

More expensive roads can add value. A wide tree lined avenue with a generous plant packed median, can add prestige to a residential subdivision. A solid dual lane expressway, linking to the local freeway may be your new industrial estate's main drawcard. Having enough lanes so morning commuters can easily access their offices without a traffic jam at the business park entrance could help increase the lease-up velocity.

However, no developer enjoys paying for road infrastructure that has no direct financial benefit to their sales and marketing effort. The river of roads, both existing *downstream* and future *upstream*, can impact on what the developer is asked, or forced by the authorities, to pay.

When you are seeking approval for a master-planned project that eventually will see hundreds or thousands of people live, work or visit there, then there will likely be *downstream* impacts on the local network. i.e. you are creating additional traffic that must drive on an existing road, through an existing community, and navigate existing intersections to get to your development. At certain triggers – the number of cars each peak hour or similar — the local roading network authority will need to upgrade those existing roads. And unless lucky enough to be the beneficiary of a budget already in place, the developer will be asked to pay.

Similarly, your development might be on the outskirts of town and you are forced to provide a through-route to allow for *upstream* development by others in years to come. That may be a much wider, more expensive road than is required for your development alone. Again, unless the beneficiary of an established budget you will be asked to pay.

Doesn't sound fair does it? When developing your master-planned project, just because you are first off the rank, you might have to pay for big ticket public infrastructure that benefits others – existing residents and adjacent developers!

There might be ways around paying for every road and intersection though. On one hand it depends on the sophistication and political proclivity towards public infrastructure investment of the authority presiding over your location. On the other hand, it depends on your ability to creatively hustle deals together with landowners and road network operators.

Targeted rates, where everyone who benefits pays additional rates/tax on their land for a period of time is flavour of the month in New Zealand. Public road infrastructure funding by governments is often more forthcoming to those building homes during a housing crisis (not always though!). If the road is big enough to deserve a toll, then public-private-partnerships might be an option. Or simply try lobbying officials and politicians for your project's share of the next budget.

Doing a deal with neighbouring developers (whose projects will benefit from the public roads when built) sounds simple in theory. Why wouldn't they want to unlock their own development? But in practice, unless the local authority has a mechanism to compel everyone to reach agreement, it often comes down to a first-come, first served basis. And by served, I mean with a big fat invoice! If other developers are not as eager as you to get their project underway, then they might be able to wait you out. In that case you might be left with no option but to pay everything for these roads.

And guess what? Resolving all this takes a painful amount of time and money. When you are dealing with significant public roads and the public are involved along with officials and politicians it is not going to be simply a case of here is a design, please approve. It can be a long drawn out process, even if you don't end up in court. And local politicians have elections,

different government projects get priority and authority funding changes. All of sudden progress on your grand master plan with beautifully rendered perspectives of meticulously landscaped roads meandering through a tranquil coastal subdivision, all approved 'in principle' by the officials of the day, can come to a screeching halt as there is no longer public funding to help pay for it. Or they change their mind. Now your road is the prime candidate for a bus station – please adjust your plans. Or we don't want the cycleway there anymore – please adjust your plans. Or our structural criteria rules have changed, that road is too close to the stream for that retaining wall – please change your plans. Or the community is not allowing a right turn into that street – please adjust the plan. Frustratingly this is all time and money down the curbside drain for the developer – albeit heaps of fees for consultants redoing all their plans!

Eventually, you get the main public roads resolved and figure out who is paying for what*. Now you can finally design your internal road network. That's all the smaller roads that will link up with the bigger ones to create the blocks of land where you can construct some buildings. Where I am, we call those blocks of land 'super-lots': a parcel of land bounded by public roads (and occasionally a topographical feature like the coast, a stream or a park). Often this parcel of land can then be subdivided further into smaller individual lots for sale.

* Developers can find themselves running the significant public road 'negotiations' and the complete road network design concurrently. This adds considerable risk and cost though, especially when changes are made, as now everything must be changed. The risks go up a magnitude when you are under time pressure to get roads resolved, so you can start the fun part – selling and building! Ideally, you sort all this big-picture roading infrastructure out before you purchase the land, or purchase it so cheap that you don't care!

So, what do you need to think about when designing the entire road network?

– The optimum size of super-lots, primarily the width, depth and orientation. For example, if your project is a housing estate then you need to consider the size of the houses, the preferred lot sizes encompassing the houses and how they will be arranged within the super-lot. No point having an efficient roading network, which gives rise to inefficient lot depths and everyone's back yard receives no sun.

– Private vs Public. What should be a public road and what could be made a private internal road? Public roads cost more money, primarily because they have more rules, like footpaths and driveway restrictions. Sometimes you can have less public roads but integrate more private access roads to separate 'Super-lots'. This will mean a different ownership structure though, because if the roads are privately owned, the owners need a legal mechanism for control and maintenance.

– Flexibility. For a project that is expected to be built out over a decade or longer, it is highly likely what you think you are about to develop will evolve into something quite different in the future. Real estate markets change. Your large format logistics warehouses on 5000m2 sections of today might have to make way for smaller 200m2 commercial condos tomorrow. Six-bedroom McMansions with two kitchens for extended families on 500m2 plots, may prove no longer be affordable in your market. But terrace homes on 100m2 plots become all the rage. Zoning restrictions will usually limit the degree of flexibility you need, but not necessarily so. You might be forced to undertake a complete rezoning on part of your master-planned project because of market conditions half-way through your generational project schedule. So flexibility

needs to be considered. Simply, the further out in time a piece of land is likely to be developed the more flexibility your road network should allow.

– Staging. What roads are you going to build first? Do you want to impress your potential market by putting in the public highway complete with mature cherry trees at the outset? Or can you defer big expense items to later in your build out? Do you need access to the public park you are building today, or can that wait? It might be as simple as starting from the entrance and working your way back into the site, stage by stage. Or because of complicating factors (like a whole heap of issues yet to be resolved) you might be forced to stage road construction in a piecemeal approach.

– What lies below? Rarely do you just build a road. Roads and the berms adjacent serve as a conduit for other infrastructure and utilities: water, stormwater, sewer, power, gas, and communications. Dealing with the authorities on those aspects might dictate where your roads can go. Capacity restraints in those other networks might also limit when you can build them.

– Topography. Designing a roading network that creates the most efficient and flexible super-lot layout is challenging when you have varying terrain to navigate. Hills have this problem of always getting in the way. There are usually rules on how steep your street and driveways can be. Even if you are allowed a steep street, it will make the house and individual lot construction more complicated as you have to build retaining walls as part of the house (expensive) or as part of the section (difficult to make look good if really high and in the backyard). Sure you can bulldoze it down to a nice flat template, but then you have our next point to consider.

– Civil construction cost. We discussed this before, but it's always good to remind oneself to consider the total value proposition: how much does it cost versus how much value does it add? It costs money to dig up or retain hills, fill in valleys and move dirt around so you can build roads. Therefore any decision when designing your road must also take into account the cost to build. Shorter is cheaper. Thinner is cheaper. Fewer traffic lights are cheaper. Lower water crossings are cheaper. No point making the most efficient road network in the city, if you are forced to build the Golden Gate to get from one side to the other.

Finally, all of the above leads us to consider probably the most impactful decision when designing your road network. How do I minimize the loss of Net Developable Area (NDA) when I am designing these roads. Increasing NDA is like finding a diamond in the bitumen: it is land that you can sell!

We'll talk more about Net Developable Area in the next edition of The Developer Chronicles: Master-planned Projects.

Cheers

Andrew Crosby

P.S.

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able to help. We focus on delivering value-for-money homes in the ‘relatively affordable’ range, like the 1300 home **westhills.co.nz** or the 600 plus homes we have built at Hobsonville Point, or the thousands of others around Auckland over the last 60 years. Message me on LinkedIn at any time linkedin.com/in/ajcrosby .

- If you want to learn more about real estate / property development and a continuous improvement approach, with books and courses in development management to maximize profit and decrease risk then visit **www.developmentprofit.com**

Let's Talk About Profit August 24, 2019

Let's Talk About Profit

Let's talk about profit, baby.
Let's talk about you and me.
Let's talk about all the good things.
And the bad things that may be.

Every time I see a news article stating developers are ripping off the public, making huge profits and are being treated like the enemy to modern society, my blood boils. I saw one just yesterday that was particularly misinformed.

But the propaganda is rife, throughout the media, in movies, television shows, and often at the mercy of naive politicians: developers being portrayed as the bad guys. To the bigotry collective and do-gooders, a developer is seen as nothing more than someone who takes a cash windfall from the needy and produces a development that seemingly benefits no one else but themselves.

The truth is property developers are creators. There is no other vocation that can create profit in so many different ways. And unless you have been on the front line of a property development (that's *real estate development* to you Americans) project you simply cannot understand what it takes to create a profit. I will go further, you can't even comprehend what the word profit means, let alone understand who is actually making all the profit!

But, luckily for you, I am going to do my public service, free of charge to tell you everything you need to know – in the world of property development – about profit.

Let's dig our foundations then. The word 'profit', as far as I can tell, is derived from Latin words *prōficiō* and *prōfectus* which means to "make, accomplish, effect", and then later early 14th century this evolved into "to advance, benefit, gain."

Today, according to the Merriam-Webster dictionary 'profit' can be either a noun or a verb. As a noun profit, is defined what many a business person would expect it to mean, with a purely financial focus:

1. "net income", or
2. "the excess of the selling price of goods over their cost".
3. "the compensation accruing to entrepreneurs for the assumption of risk in business enterprise as distinguished from wages or rent."

As an *intransitive* verb though, the definition of profit expands beyond commercial gain and includes:

4. "to be of service or advantage"
5. "to derive benefit"

Further, as a *transitive* verb, profit is defined as:

6. “to be of service to”, with an emphasis on service *to*

While according to dictionary.com it can also mean

7. “to take advantage”

So now we have seven different definitions. Definitions 1 & 2 are clearly commercially related. Definition 3 is also financial but introduces the term ‘risk’. The first two definitions carry no emotion whereas some might be excited and others scared by the word risk in definition 3. Definitions 4 & 5 carry a positive tone and 6 almost implies a servitude or sense of duty to others. On the other hand, definition 7 could be construed as a negative, especially in the context where no one likes to be taken advantage *of*.

“Why does all this matter?”

Well as I will show, profit means different things to different people. And it also means different things if you are on the giving, receiving or taking side of the equation.

“I mean, why does it matter to a property developer?” you ask.

Yes, property development is all about the profit. You simply must extract more value from your project than it costs. As I am fond of quoting, no profit = no project. On the face of it, it looks like the profit generated in property development is firmly covered by definitions one and two.

But how far do you go? How much *excess* profit, as in definition 2, does a property developer want?

The easy answer is to say, as much as possible – and most bias anti-developer commentators conveniently believe this means robbing the seemingly innocent for every cent.

Now I do admit, I am always challenging the team to extract every last ounce of profit out of any project feasibility. When the team is new to a project it goes something like this: Let’s look at another scheme, and another, can you do five different options? How do we fit more units in? Can we get rid of the access-way? What about reducing the size of the homes? Can we fit more car parking spaces on? Do we even need car parks? Higher? Wider? What happens if we turn it from terrace homes to live-work? Look at that competitor down the road, how does their concept work on our site?.....And it goes on and on and on, typically until everyone is completely sick of me which is about the same time as we have exhausted every conceivable option – although you never really know if you have tried everything. (Can the AI hurry up in this space to help us out please!).

Of course, sometimes you don’t have any choice but to persevere to increase profit, if you can’t meet the financiers or board hurdle rate and especially if you already own the land. The hurdle rate is the term referring to the minimum financial profit (typically expressed as a percentage return on costs) required before you are allowed to start spending money on things like consenting, selling and construction.

For most developers, in all but extremely uplifting markets, the minimum hurdle rate becomes profit they aim for. Once you reach the goal of having enough profit (say 20% return on costs) to get funding approved, it is time to draw a line in the sand. No point trying to extract further profit – at least as defined in 1 & 2 – now we just have to get on with it.

And as soon as the funding is approved, the rest of the developer’s time on the project is spent protecting that profit. The one time (and the moons really have to be aligned because it doesn’t

happen too often) when you can take a little breather, is when you have units still to sell and the sales market is still going up much faster than construction costs are rising. Except for that super-lucky situation, a developer's key focus will be managing all the *risk* that can seriously erode the project's profit. Sometimes to the point of bankruptcy, simply through a change in market conditions.

That's where definition number 3 kicks in: developers assume *risk* and because of risk developers deserve compensation — a profit. And property development is all about risk. Lots of it. Whilst experienced developers know this, the inexperienced and many outside the industry simply don't appreciate the fact that property development requires the assumption of substantial exposure.

Development profit means dealing with development risk. There is so much risk I have written two books on addressing this verifiable reality and I'm still learning – every single day. Is it not enough to stress the point that my website www.developmentprofit.com also carries the clone address www.developmentrisk.com?

You see, the anti-developer brigade simply ignores risk and views a developer trying to make a profit as definition seven: to take advantage. To these people development profit is evil. How dare they charge home buyers? How dare they buy land, draw a couple of pictures, build a building and generate a profit. How dare someone risk their own livelihood trying to create places for other people to enjoy!

However, like I said developers are creators. This quote sums it up:

"We used to call them our founders and we honored them by erecting their statues in our town squares. Today we just call them 'developers.'" — Andrés Duany, Cofounder and leader of the New Urbanism. Urban planner of Porta Norte

And being creators, developers, far from taking advantage of others, create advantage as defined in number 4, for many. Developers derive benefit, as per definition 5, not just in remuneration and civic pride for themselves but in tremendous quantity and quality for wider society. Indeed, this leads us to definition 6: developers are of immeasurable service to their communities, cities and nations.

"Who else profits then?" – I can hear the cynics of you ask.

Let me tell you then, baby.

First there is the obvious candidates. These are the people the developer pays to progress a project. All you have to do is check the developer's accounts. This includes everyone on the development company's payroll, every employee from the receptionist to the board members. They get a cut of the profits via a paid job complete with salary, perhaps a bonus, certainly experience and if they are motivated career advancement.

And second there is every professional consultant that is required. When reading this list, just bear in mind, none would have much of a job, nor would their families have too much in the way for dinner each night if developers didn't exist.
– Architects, designers, draughtspeople
– Engineers, (civil, geotechnical, structural, mechanical, hydraulic, acoustic, traffic, facade & many more)
– Town planners, surveyors

– Quantity surveyors, cost consultants
– Project managers, development managers

Third, everyone involved in construction:
– main contractors, construction managers, site forepeople, health & safety advisors
– plumbers, electricians, carpenters, tilers, concrete layers, carpet layers, drainlayers, roofers, scaffolders, fencers, and a hundred other subbies
– window joiners, kitchen makers, appliance manufacturers, every building product ever invented makers and suppliers.

Fourth, everyone involved in approving, policing and serving a project: inspectors, consent administrators, council officers, city officials, utility and infrastructure providers.

Fifth, banks don't lend funds out of public duty, they lend funds to make a profit. And with them also profiting is the appraisers, valuers and engineers to the contract.

Sixth, most developments are leased and/or sold. An army or marketers, designers, realtors, property managers, agents and sales consultants benefit from the developers creation.

Phew! That's a lot of people. Then again, now think about all the associated services that profit. The ones that exist because everyone above, who works on a development project, needs to get around and simply live – all those truck and car retailers, grocers, restaurateurs, fashion and flatscreen television merchants. Profit multiplication en-masse.

And it's not just financial *profit*. It's much bigger than that.

"If it's not just money, how else does anyone profit then?" you question.

Look at the symbols of humanity, all those new iconic buildings that create inspiration. The ones that deliver places of community gathering in town centers. Buildings that protect and support thriving families, tourists and workers in all aspects of their life-long pursuit.

And unlike many other business pursuits, development profit is not just a one off, short-term event. It reaches far beyond the instigating developer's wallet, it keeps on being generated, for generations. The developer creates an asset that delivers advantage and benefit for years to come for all who come to the land a building sits on, and many who never even step close.

So the next time you think that it's all plain sailing developing a house, an office building, an estate or a town centre, and the next time you jump to the conclusion a developer is profiteering at the expense of others, consider this very carefully while you look around: have you and your family benefited – *profited* – from a developer lately?

Andrew Crosby
www.developmentprofit.com

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Imagine: Maraenui 2025 August 16, 2019

Imagine: Maraenui 2025

Reprinted today because I see more new houses going up in this suburb much deserving of a transformation.

Below is a little story I put together, in 2013, in desperation, to try and get approval for a kick start renewal project. I remember back then my first visit to this struggling community. To set the scene of just how neglected "The Nui" was, read this: http://shorthand.radionz.co.nz/maraenui/index.html

I don't know if my attempt to set a vision made a difference, but back then the first project in Maraenui in a long long time, did eventually get approved. It's good to see that development is now continuing and that further progress has been made.

Nikau Johnson closes the front door to his 3 year old 2 bedroom terrace home at 27 Bledisloe Road. After a great night's sleep in a warm sustainably built home, he relishes the fact the heating bill is so low given the solar principles applied and the Maraenui community organised electricity co-operative started in 2017. Plus he also likes the fact he and his partners are living in a reasonably safe part of Napier, a bit different to what he can remember growing up down the road.

Nikau walks down the red brick paved footpath, crosses the bike lane, and picks up the pace as jogs across the road – careful to avoid one of the regular electric buses on the Napier to Hastings route. As he approaches the entrance to the recently expanded Westfield Maraenui Shopping and Community Plaza, he notices a teenager walking in the park adjacent. *"Hey Scotty, you are going to be late for school, pretty sure you don't want a miss a day given how close exams are do you?"* Nikau asked.

Scotty turned around and replied *"No probs boss, I am taking some photos of that artwork done by my father 10 years ago that we fixed up, – it was our art class renovation project and I need to put together a portfolio to get into uni."*

Nikau carried on through the sliding doors and rather than turning left into the shopping precinct – which was already bustling with the sound of shop keepers putting their wears out front he turned right into the community precinct.

Napier City had set up in Maraenui their international virtual business and co-learning centre with the sister city of Lianyungang, China in 2019 and added Tomakomai, Japan and Victoria Canada in 2020. This initiative provided a continuation of the Maraenui student exchange and young business entrepreneur program sponsored by Fonterra that started in 2018 and continues to run.

Nikau thought to himself *'here's something that now contributes $12m to the Maraenui economy. Just seems like yesterday my fathers friends were getting in trouble with the police and all that gang stuff and here's one of them on the webphone talking to some Chinese suit!'*

Past the community precinct's centre for sports excellence office and right alongside the entrance to the elevator Nikau spots a sign on the back door of the Barfoots Maraenui office. The table on the sign reads:

	Average house price	*Last 10 years average annual capital growth*	*Sales this month*
Marewa	*$323,000*	*2.5%*	*17*
Maraenui	*$318,000*	*9%*	*22*

Nikau feels good about his home investment off the plans 4 years ago. Whilst his friends who live in Hastings said, *'yeah Maeranui seems on the way up.....lots of young families taking advantage of the Welcome Home Loan + Renovation package, buying ex state houses and doing them up'* – his uncle living locally on Shackelton street did have reservations – *'yes a lot has changed over the last few years but I don't know if it will continue, seems like the place is already getting too busy man'*.

Nikau jumps in the elevator and moves his finger to the 3rd level button that reads 'Housing Napier', 'HNZC' and 'Whare Maraenui Inc'.

He notes the 2nd level has a new tenant. 'Spanner and Fixit Ltd' had relocated a number of times in Maeranui – first from the vacant office they took over in the old retail center in 2015, then from their temporary office, a renovated home on Geddis Ave and now into plush new premises on in the heart of the expanded mall.

Nikau knew this maintenance company well. As a teenager, he got his first real break with them.....

Life in 2013 seemed to not offer much. Struggling to stay in school, let alone get passing grades he often skipped class. He would walk down Shackelton Rd past the Housing New

Zealand properties and past the private home that seemed to be owned by someone out of town because it was falling down and always had the cops outside. Then he and his mates would break into the two story houses that the government were about to tear down and smash whatever was left to break. Even that got boring, a few times early on the police would drive by but they didn't seem too interested in a couple of kids, just par for the course for them, kids in Maraenui out of school.

One day, late 2013 things started to change.

Not that Nikau took much notice but everyone was talking about all these meetings and the stuff that the government and council was going to do. Nikau's dad initially didn't like them, *"we had all these meetings ages ago, nothing happened, all piss and roar and nothing happened"*.

Nikau remembered there were lots of flash cars coming into town, even once a silver beemer and the guy in that car stayed for a barbeque. Was funny though some of his fathers out of town mates started yelling at him, but he just kept on smiling.

Nikau did take notice when a lot of signs started to go up around town. It seemed like there were blue signs popping up everywhere. There were signs on Longfellow with a picture of some flash new houses. There was signs on Bledisloe next to the houses the government were going to pull down *'Watch this space'* and another *'Home of BMX Hawkes Bay'*. There was even one at the corner of Geddis Ave and Chambers, the interesction Nikau and his mates would get out of Maraenui to go into town ''*Maraenui – loving it'*.

Then the Housing New Zealand office seemed to change. Someone put some pictures of local kids running around on the windows and weirdly there were also pictures of the faces of a couple of guys in suits and some drawings. The steel things in front of the doors were removed and a couple of weeks later it looked like they rebuilt the whole front of the building.

All good Nikau thought, but he had his eye on one of the signs as a target. One night he and his mate decided to create some of their own artwork. They walked done Bledisloe and pulled a spray can out – as Nikau was about to put his signature on the sign, a person from across the park, outside the Housing New Zealand office yelled out – *"hey you, what are you doing?"*

Nikau and his mate were about to run.

"Aye, you guys wanna earn some cash? the guy bellows.

Nikau's mate yelled out *"Whaatever man, what you know?"*

"Get over here I have $50 bucks for you if you can pick up all the rubbish on Percy Spiller Ave" – the man said – it was the same man with his face was on the window but he wasn't wearing the flash suit.

And that was all it took.

Nikau quickly found himself in a local maintenance program with Spanner and Fixit ltd, where every weekend he could earn $50 just by picking up rubbish – soon that moved onto mowing the grass where the government had pulled down the houses and then onto fixing fences around town. Not only Nikau, most of his mates also got involved. Some pushed their luck a little too far and tried to not finish properly, but the guy from the office always came round to have a chat – Nikau remembered thinking that guy Bill from the office seemed alright; but really he was just checking up on them!

Spanner and Fixit then opened an office in one of the run down stores where they stored all their gear. Next door a tool shed was opened where anyone could borrow a lawnmower or some clippers and some of Nikau's cousins helped get involved in that.

Nikau remembered how if it wasn't for Bill catching them that night when they were about to tag the sign he may of never even passed school let alone become Area Manager of Housing Napier.

....The lift doors open, the receptionist greets Nikau, *"good morning Mr Johnson, how are you this morning?"*

"Yeah great" he replies. Nikau continues *"Although looks like it may be a bit of a tough day. Those guys from Australia are coming to town with the Minister of Property Development and want a tour around Maraenui, so we have to put on our best performance!"*

"Yes I have prepped the troops, Mr Johnson", the receptionist, Sally goes on *"Why do they want to see Maraenui, everything seems fine to me, not like we are doing anything much different to what they do in Taradale"*

Nikau agrees *"Yes I know, I think the Aussies have a few problems and want to change one of their towns back home and think we might have the answer, don't really know what I should show them – what have done recently besides the best street award? I guess I could talk about the joint initiative that was started in 2015 where rates relief was granted to private owners who kept their properties to a high standard, but we finished that last year because everyone is doing that anyway now"*

Sally quickly looks up Maraenui on Wikipedia to look for some ideas

2012
Maraenui is a suburb of the city of Napier, in the Hawke's Bay Region of the eastern North Island of New Zealand. It is a lower socio-economic neighborhood with a mix of owner occupied and state owned (Housing New Zealand) properties.

2024
Maraenui is a suburb of the city of Napier, in the Hawke's Bay Region of the eastern North Island of New Zealand. It is a medium socio-economic neighborhood with a mix of owner occupied, and rental housing. Maraenui undertook a positive identity and image transformation from 2013 to 2017 with initial funding by a government, council and corporate sponsorship through a regeneration programme with extensive resident participation and on the ground management. Maraenui was presented to the United Nations in 2023 as a case study by the University of California, Berkley Haas School of Business, socio-economic transformation project.

As Nikau walked to his desk Sally enquires

"Also Fa'alele wants to know if they will be attending tonight's residents meeting of the Maraenui 2035 business growth forum"

Andrew Crosby
September 2013

“You’ve got to think about big things while you’re doing small things, so that all the small things go in the right direction.”
— Alvin Toffler

_____-

Cheers

Andrew Crosby
www.developmentprofit.com
Products created for continuous improvement in real estate development.

Pre-sale, Post-sale or No-sale? June 3, 2019

Pre-sale, Post-sale or No-sale?

I have just read **The Startup Way** by Eric Ries [http://www.thestartupway.com]. Eric discusses the MVP or Minimum Viable Product approach to Lean development. He quotes David Bland, a consultant and early Lean Startup evangelist "*while you decide what's minimum the customer decides if it's viable.*"

In a nutshell, rather than bet the family jewels on developing something that the consumer may never want, you release early, test customer response, refine, release again, test customer response until you get to a point where you persist or pivot.

Persist: because you are on the right track and you can take your product to higher levels of development growing your customer base.

Or Pivot: where customers have not shown suitable interest in what you developed, or where testing has identified a better/faster/more scalable or valuable approach and you change strategy to quickly build release and test again.

In both cases, persist or pivot, your vision doesn't change. Think Netflix -who had the vision of delivering movies to customers cheaper and easier- pivoting from mailing DVD's in the mail, to streaming online.

The book describes how the lean startup way is the opposite to the conventional corporate approach of plan, design, build and release. It is a much lower risk way to gauge product success. It's all about experimenting with direct customer feedback until you get it right, and not being afraid to try and fail along the way. The approach is low(er) risk because you are not devoting years of resource and millions of dollars into a venture that may fail to gain customer traction and make a dime. You might have had a great internally generated forecast based on consumer focus groups and a whole heap of internal design and production based (biased) opinion but no real customer, hand in wallet, feedback.

And on forecasts, you know the ones many of us are guilty of, where vertical bars rise rhythmically into the future, their peaks forming a nicely sloping growth curve based on our leap of faith assumptions, Eric sets the standard corporate scene. "*The fantasy plan of the original pitch is often far too optimistic to be used as a real forecast. But management lacking any other system to use, need something to hold onto. Without an alternative they cling to the forecast - even if it's just made up.*"

The lean startup way is to build the minimum, release as quickly and as inexpensively as possible to test these 'leap of faith assumptions'. That way you can try lots of things, lot of times, experimenting in real-time with real customers. Failure won't send you bankrupt because you are not relying on this one or nothing endeavor. And because you are not afraid of experimentation and failing here and there you'll end up developing a much more customer focused product.

That's what many do in Silicon valley, but (like almost everything) it got me thinking about property development.

Now its pretty difficult to release a small part of a housing development or office building project without fully committing to build it right? Well no. There is a well established approach that real estate developers have been applying for centuries that mimics a lean startup 'customer experiment in production' model to deliver profitable results. But it comes with plenty of fish hooks. Let's delve into the development process to explain.

There are two times you can sell a development project: before construction starts and after construction starts.

From a sales and marketing point of view 'after construction starts' can be further broken down into 'during construction' and 'post construction'. That's because different sales and marketing techniques are required to sell something where the vision is physically coming into being versus it's done and dusted and ready to show the customer in all its glory – warts and all. However, from everyone else in a developer's organisations point of view it's the same thing. The commitment to construction has been made, there is no going back, there's not a lot you can change so you better now sell it!

Selling before construction starts is called *pre-selling*. You attempt to make *pre-sales*. If you sell everything you are *pre-sold*. You might be selling homes, lifestyle blocks, converted warehouses, leasing office space, or selling storage units. You are selling real estate using plans, images and specifications of what you promise the project will be. In essence you are selling the dream, without yet jumping into bed (with the builder).

Selling after construction starts is called *spec-selling*. You are speculating what you have started building will be sold. Whether your sales team waits until the final coat of paint is applied and the handrails are polished or they start as soon as the diggers arrive is moot. The commitment to construction has been made.

And in both cases you have a selling price, and a cost to build. Put a circle around each as we will come back to these later.

The start of construction is of course important, because that is when you have committed to spend the majority of the development costs of the project. You may even have been able to delay the commitment to purchase the land until you start building. But once construction starts there is no turning back. Sure there are design and planning costs spent (at risk) already and they may run into the millions, but that is nothing compared to the big ticket construction and the cost of land below it.

The speculative route is definitely not a lean start-up approach. You plan, design and build. You commit significant resources and money. It might be a two hundred home townhouse development, a thousand apartments or 100,000m2 office building. You start construction and then you start to sell. It is only then when you get the real customer feedback. However, except for minor cosmetic changes the horse has bolted. You have either gotten it right or will suffer the (price reducing) consequences. Sure you might have done the same type of project before, even dozens of times, so you believe you have plenty of 'market research'. But real estate is different to cars, widgets or cell phones, in one key way: the land. That fixed, unbreakable, subject to all manner of unforeseeable externalities, locational quotient makes every project unique. The other thing that is important even if you have done a similar project time and time before is *time* itself. If there is one thing certain in real estate: markets change over time.

Take pre-selling though. Releasing, testing customer feedback, giving yourself an opportunity to improve and deciding to persist or pivot with your vision of the worlds next best property development is akin to a lean startup approach when you pre-sell. Yes pre-selling is property developments lean startup strategy.

When pre-selling you can test the market and real customer interest (the signing the cheque book type of interest) first before you commit to construction. If you are a serious deal maker of a developer with a patient land vendor you might have even negotiated buying the land dependent on how pre-sales go. Not enough and you walk away. In some countries, like New Zealand you can pre-sell with binding contracts. That means you can sign a buyer up on a sale and purchase agreement with nothing more than a salacious render, a floor plan and a one page outline specification. This is why it is also called 'buying off the plan'. The developer is applying a lean startup approach. You can test your market to see if the buyers bite on your marketing. And the feedback is real, as they are putting down a real deposit and committing to closing the deal when the project is finally built.

In fact in Arizona, I first encountered the term 'register for interest' with regard to property developments. There developers would test the market using nothing but a basic web page with a price indication and maybe some hastily drawn plans. Enforcing a refundable $1000 or so was enough to get reasonably real customer feedback. Unless registrations were favorably brisk, the developer would can that idea and pivot immediately.

If customers bite real fast you have a real project. Now you can go get some money and start building. If they bite slowly, then you can persist to improve sales using different tactics, like changing the marketing pitch and images, modifying floor plans or revising the specification. If persistence isn't working then you can decide to pivot the project. Apartments becomes a retirement village. Luxury homes becomes affordable townhouses. But your vision of a great property development still remains in tact. And you have really learnt from the market in the process.

Yes a spec development can be changed after it is built. Apartments can become a serviced apartment hotel. Office for lease can becomes office condos for sale. Large industrial warehouses can be cut up. But it will be painful and cost a lot of money in retrospect and probably never really suit the target market.

If the customers don't bite at all, then you can ditch the project for a brighter day, or liquidate costs incurred to date to fight another day. If you have already built a spec development and the customers aren't biting, it is going to get financially a lot more painful.

There are also three benefits enticing buyers to purchase off the plan. One, if the developer lets them, they can customise interior finishes and make adjustments to layouts. Two, they get the opportunity to buy into a project, or their preferred location in that project before others (the ones who wait until it is complete, who indeed could miss out). And three, they are the beneficiary of price rises between the day the contract is signed and when they take possession. For an apartment/condo project this could be two or more years. In a hot market buyers fear of missing out can sell out projects in days. I recall one project we did where about 100 apartments were sold out in the time 100 contracts could pass through the fax machine (about a weekend of constant faxing!).

So why -with this already experimental leading edge lean startup methodology- doesn't every real estate developer take the pre-sale approach?

Well it all comes down to risk. And not for the reasons you might think.

Go back in this article and take those two items I told you to circle. They now come into play. When you pre-sell a development project you are in effect locking in your sales price. Now you have to build at a cost where the pre-agreed sales price allows you to pay for construction and all the other costs like design and financing and still make a development margin – your profit, your payday. When you start pre-selling, assuming you know what you're doing and have a good handle on costs that should not be a problem. But even if you sell out quickly, the time it takes to secure all the necessary consents (and you might have started selling well before even achieving a basic planning permission) and a construction contract (or subcontracts if you are building yourself) can be long. The bigger and more complex the development, typically the longer it takes. But even small projects can have monumental external hiccups that incur substantial delays. During the delay the construction cost can go up. If it goes up enough, there goes your margin!

Unless your project is remarkably unique and awaking a dormant buyer pool, selling out fast typically indicates a buoyant appreciating real estate market. If that is the case soon, as it always does will follow an appreciating construction market. That's when costs can escalate dramatically. Time is not the pre-selling developers friend in these circumstances. When you have pre-sold, you have fixed your revenue and every day you take to fix your construction price (and that is never really fixed until the day construction is completed) could mean another day of eroding margins.

OK so pre-selling has its downfall, but can't you just a pre-sell a few, that will test the market and hold the rest whilst prices rise?

Yes and no. Once again it comes down to money – this time how much you as the developer have. If you are cashed up you can choose this strategy. If banks are falling over themselves to lend to you because your balance sheet emulates one of a small oil producing nation then you can go down this route. But for most private developers, if you want to develop the bank will want pre-sales to cover their risk before they will lend you funds (at least at an affordable interest rate). They will want you to 'show them the sales.'They will also want a fixed price construction contract. That is why so many development projects, even in boom times, even when fully sold out, and endorsed by celebrities never get built. The developer has fixed their revenue too early and cannot get it built cheap enough to leave a margin or satisfy their bank manager. And as time goes on it gets harder. Early in the cycle banks may only require 30, 40 or 50% of the product to be pre-sold. By the end it can easily be 100% of the funding or even 100% of the units.

The spec developer by definition is counting on sales prices to continue to rise whilst they arrange construction and start building right up until the day they choose to start selling (and even then they might stagger listings it to take full advantage of a rising market). And because they don't sell until after they have started construction, they have a good idea of their costs (incompetent management or unforeseen disaster excluded) so can price to cover costs and maximize their margin. As long as sale prices are going up faster than construction costs they are increasingly in the black.

Rare is the situation where sales prices are going up and construction costs are going down – every developers dream. Unfortunately, all too common at the end of a property cycle, it's the opposite, sales prices are going down and costs are going up, that can hit the spec developer

harder. The benefit to a pre-sales no-go funding valve is that you don't build a project (at least with the banks money) to find out there are no buyers and have to take a substantial haircut.

OK but some spec builders who have the funds -to pre-sell and test the market before they commit- don't even do that. Why not?

Well that's where Eric's book comes into play again. This is typical of the large corporates. The ones who have a production mindset first and an experimental sales mentality much further down the priority list. Pre-sales is all about sales first, worry about construction later. Spec is all about build it now, build it and they will come, build it and then we worry about selling. The large companies take a lot longer to feel the pain. Their balance sheets on the face of it can absorb a lot, until one day they can't. To them selling off the plan is leaving money on the table and putting their margin at risk. When times are good and property is selling they are willing to risk getting it built first then worry about the customer later.

And pre-sales can deter buyers anyway. Just because pre-sales doesn't work doesn't mean the project wont eventually have buyers. Some buyers will be skeptical that the project wont get off the ground. They stay out of the market until they see concrete trucks and carpenters. Others have concerns about the quality the developer is promising. Or they don't want to be subject to the threat of facing price rise requests from a developer in trouble and being stuck in a contract waiting for years for their property to be finished as delay after delay ensues. Other buyers can't imagine an avocado from guacamole so they aren't in the market until the property is built and they can see and feel what they are buying. The buyer has plenty to worry about when pre-buying. And all for very good reason as this article sums up https://propertyupdate.com.au/buying-off-the-plan/.

But when the market turns, the spec developer can be caught out, whereas the pre-sale developer never made it past the starting gate in the first place. That's when the no sale is better than a (negative margin) post-sale.

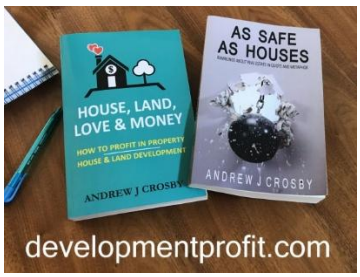
So what does a developer do then if they do have a choice to pre-sell or not and the market has changed?

That's what our team will be debating in the upcoming weeks.

Cheers

Andrew Crosby
www.developmentprofit.com
www.developmentrisk.com

Read more about pre-sales and real estate development in House, Land, Love & Money and Turnaround Success.

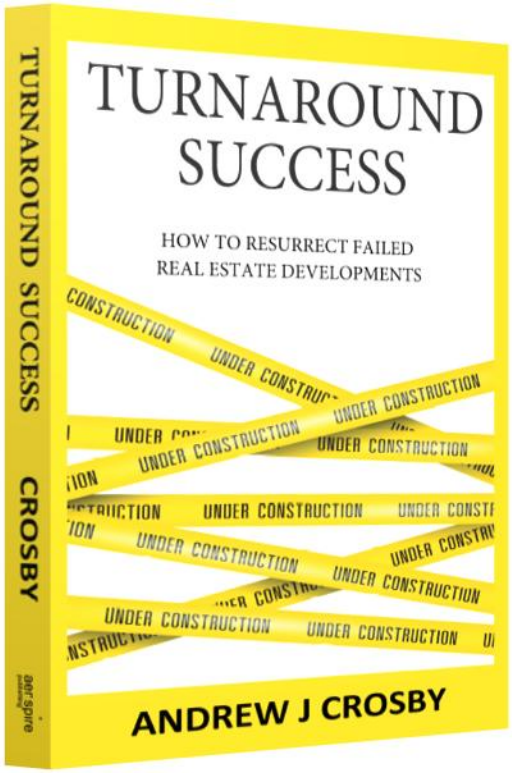


Turnaround Success April 22, 2019

Turnaround Success

Another one done.

Click here to get a copy https://www.amazon.com/dp/1790590884? or contact publishing@aenspire.com



Real estate development is a risky business. When everything is going well the project can be incredibly profitable. But throw in delays, softening sales and rising construction costs and the profit can be completely wiped out.

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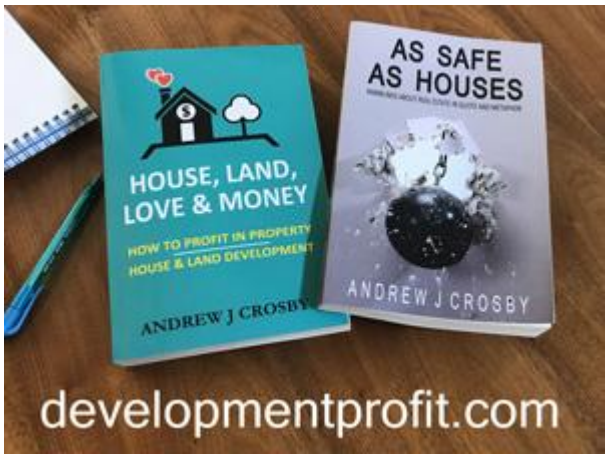
"After successfully developing high end homes throughout the eastern suburbs and a subdivision estate down in the capital, with our tails up, we saw the development opportunity of a lifetime. But we didn't see the risk, and this site, it turned out, had every risk imaginable. Now we are working with the author and his contacts to find a profitable way through. This book is essential reading for real estate developers, both aspiring and experienced, and those who do business with them. Learning lessons from this author, is a lot less financially painful, than

making the same mistakes yourself!"
Raj Jeram – CEO, Parkside Living Limited

I build upon my book 'House, Land, Love & Money' with complementary and valuable new material for developers – a must read for any consultant, financier, contractor, agent and manager in the real estate development industry.

Cheers

Andrew Crosby



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Micro Seminars – Thought Provoking Market Intel July 14, 2018

Micro Seminars – Thought Provoking Market Intel

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5. Will you have a job? (Change coming with AI, computer vision and machine learning)

This micro seminar involved plenty of too and thro with the audience and not a power-point slide in sight.

Mark Davidson from Opteon had this to say:
"Andrew provides knowledge, experience and relevance to his audience. His presentation was well received by our team of valuers who appreciated his real-world application and market insight."

Organise your micro seminar now. Suitable for government, corporates, not-for-profits and industry associations. Go to developmentprofit.com for details.

Cheers

Andrew Crosby

Show Me the Value ! May 15, 2018

Show Me the Value !

An excerpt from my next book* : my take on peer reviews and value engineering.
** Book is currently under construction, due early 2019 with the working title 'From Failure to Finish Line'.*

———————————-

PEER REVIEWS

To assist with creating coordinated and quality documentation consider peer reviews. Peer reviews are undertaken by independent consultants who are not influenced by the history of the project, or the people involved, to provide an objective review. The best peer reviewers (as far as objectivity goes) are those who don't succumb to using the peer review process as an opportunity to tout their own services. You know, to try and become your replacement consultant on the project! That's a touch cynical but I have seen it happen.

Peer reviews may have been included in your audit during due-diligence. Albeit if you had time constraints they would have been limited to high risk issues. This time you are focussing on moving the project forward. Of course, you can peer review anything. But the objective is typically to confirm that the plans and specifications are sound and fit for purpose. Where they aren't you should expect to be provided with alternative viable options to consider. However, look at taking it one step further and instruct peer reviewers to be on the lookout for high value opportunities as part of their advice.[1]

The type of project and where potential risk currently lies will influence what you conduct peer reviews on.

- Consider a house and land development where civil infrastructure works or house building has yet to start. A peer review of the civil engineering and geotechnical documentation, in conjunction with the home architectural site layouts is important. Considerable construction cost escalation risk exists in ground for many sites. The review could also include examining structural foundations, retaining walls and finished floor levels to make sure it all lines up and the most cost-effective method is being utilised. The cross-over between civil engineer, structural engineer and architect can be complicated. From my experience that is a rich source of improvement – to uncover conflicts that become very expensive to fix during construction. Whether you decide to peer review the above foundation house documentation might depend on its complexity and your familiarity with the product type – i.e. a low risk might not justify a peer review.
- For a multi-level apartment or office building, consider peer reviewing the structure (including frame/floor assemblies, piling and foundations), façade weather-tightness, fire and acoustics and potential service clashes (or opportunities to streamline services vertically).
- On a large industrial building a peer review might be limited to the roof structure and wall assembly that is enabling wide spans and a high stud. This is something that can easily be overengineered.

Don't just leave it to formal construction and engineering reviews though. Tackling a thorough design and market assessment peer review might be worthwhile – if sales or leases are still required. Typically to do this you will engage with real estate sales or leasing agents[2] and specialist designers. You might also include the advice from a market research expert, appraiser or valuer. For example:

- For a retail centre a design peer review may question circulation, service area and wasted space in relation to lettable area.
- The design review on an affordable apartment project may concentrate on kitchen and bathroom layout efficiency.
- A high-rise office design and market assessment review might take an alternative approach to analysing the spatial requirements for your markets key anchor tenants (like space per occupant for law firms and banks).

VALUE ENGINEERING

'Peer reviewers' are better at reviewing what exists than finding new opportunities. Value engineering is that next step. This is where you adjust your plans and specifications to increase profit. It may well be that the opportunity for you to take over this failed project only exists because of your expertise at value engineering.

It should really be called profit engineering.

This is an important point. All too often value engineering becomes a purely cost cutting exercise, whereby deletion becomes the default answer. Even worse, I have also seen so called value engineering, especially in the substitution of design or materials where the change has a negligible effect or increases the cost, because of some unforeseen implication. You might save on the raw material cost, but the new installation cost exceeds the benefit. Or by the time you factor in the fees for architects and engineers to change drawings and achieving a new building consent, it turns out to be never worth the effort. Also, often over looked is the negative impact a cost reduction can have on a sales or rental price. The sales price might drop more than the savings you have made.

Done well, value engineering should focus on the relative beneficial impact of a cost cutting decision on revenue (i.e. does it create more profit margin). Rarely done, is when you value engineer by adding cost to increase revenue. Positive value is achieved when the increase in revenue is higher than all the costs to get there. At some point though, if you do enough value engineering, you are effectively repositioning the project, which we discussed in the *restart* chapter.

There are three ways you can undertake a value engineering exercise:

- Ad-hoc via contractor
- Project team approach, or
- Elemental and functional investigation.[3]

Building upon what you may have already uncovered in your due-diligence audits and peer reviews each approach progressively becomes more involved. Number 3 requiring more preparation and management dedication and will take longer and can cost more.

Ad-hoc via Contractor

The ad-hoc via contractor led approach is where you, your builder or a construction expert review the plans and specifications and mainly through experience find an element or three that can be substituted or deleted. That's commonly about as much as you expect when you hand a contractor some plans and say we are open to all value saving opportunities. That's because few contractors have an appreciation of the effect of any VE change on value, town planning regulation, design aesthetics and other subtleties. So, either they offer up savings with changes that are simply not possible or desirable, or become too conservative and make an assumption that because something is shown on the plans it is required. A contractor well experienced in your product type in your product market should be much better at value engineering.[4] That is because they have already been through the value engineering hoops with other developers and their teams.

Project Team Approach

The project team approach is where you ask each project team member to review their own work and offer up a list of value engineering options. In consultation with your sales or leasing agent review each option for impact on sales or rental value. Immediately exclude any that make so sense from a sales or leasing point of view. For example, there may be some you can't get away with because of pre-committed purchaser or tenant contracts. For the options that retain merit, hold a value engineering workshop (or two) with the entire project team to work through the implications of making the change. Using a quantity surveyor or professional cost estimator calculate each options' potential savings (or costs if there is a net gain to be made by adding cost to increase revenue). This professional cost advice now puts you on a firmer footing to run the idea past the contractor for buildability and actual savings. This helps prevent the contractor brushing off perfectly sound suggestions due to ignorance or a lack of incentive to investigate the item further. The project team approach leverages the collective experience of all team members so also works better if they, each individually, have experience on similar type projects in similar markets. The downside is some will simply not be able to review their own work and come up with any bright value engineering ideas. Whether an inner reluctance through arrogance 'all their thinking has already been done'. Or simply they have been tuned into such a precise frequency that they can't imagine a different harmony. So, this approach ordinarily works better when you have replaced consultants and contractors, rather than kept existing ones.

Elemental and Functional Investigation

The third approach is just a more meticulous and methodical combination of the above. This is the elemental and functional investigation (apologies I can't think of a catchier name). This

takes more preparation and management but can yield much better profit improving results. It can also show up project team members who are not delivering their A-game as well as deficiencies in documentation.

An element is a specified item such as tile flooring, steel columns or timber decking. Whereas a function represents the required output for the built form, such as flooring, structure to hold up each floor, or even as ethereal as 'desired private outdoor space'. Considering the function helps creatively expand the thinking of what could be changed or how to achieve the same output differently to increase profits.

Here's my eight-point process – undertaken prior to formally tendering or lodging consent but including early contractor involvement – using a spreadsheet.[5]

1.Create a spreadsheet where each tab is associated with a different element or functional requirement that you intend to value engineer. What items you consider will depend on how far through the project you are and what can realistically be changed now. For example, you can't change the foundations if the project is already into the wall framing stage. Similarly, you may not be able to change cedar cladding if that was a hotly debated specified item forced upon the project at town planning consent stage. You can approach each project team member to provide a list of their 'items for consideration'. Note though that some will be bias or reluctant on what they provide. I have found nothing is better than going through the plans, specifications, the quantity surveyors elemental cost analysis and the contractors sub-trade list to extract these items yourself. For each item include the relevant plans and specifications, indicative pictures (or actuals if you are looking at a renovation) and anything else that can add to a critical analysis discussion. Include the current cost and if you already have an idea of where your budget needs to be, your target cost. Cost is easier to identify for a single element than for a function – but you should still try to identify the relevant cost parameters that make up a function. If there is a lot of documentation for an element or functional output, then just include a summary on the spreadsheet tab and a reference link to full documentation.

2. To focus the analysis, arrange the items (tabs on your spreadsheet) in a logical order. The best (time versus impact) approach is to order what are likely to be the big-ticket cost versus revenue items as top priority and then work your way down the value chain. Spend more time on the big savings for little revenue impact, and less time where savings are likely to be smaller. For example, on an office building you might start with foundations, car parking, super structure and curtain wall glazing and then move onto vertical circulation, heating and air-conditioning before looking at internal partitions, suspended ceilings, bathrooms and common area finishes. An alternative ordering (eliminating assumptions on what could be the most profitable VE before you do the analysis) would be to simply start at the physical bottom and work your way up and out generally in accordance with a construction programme. For example, on a house development start with site preparation, demolition, earthworks, services and then foundations, structure, roofing, cladding, windows to flooring, kitchens, bathrooms, finishes and fittings.For an old apartment building with historic protection that we were about to comprehensively renovate our priority order was based twofold. One, what items had no effect on the historical preservation, and therefore we could VE to our hearts content. That list was then prioritised by the quantum of renovation cost, looking at big ticket items first. An example was 'weatherproofing the external walkways'. And two, what items could trigger a 'no' from the historic preservation trust if they were changed. That list was prioritised by the limitations of

possible value engineering changes. If few possible changes then little point discussing it and it fell to the bottom of the priority list. Keeping the façade on one street frontage exactly as it was built was an example here where there was no point trying to value engineer.

3. Distribute the spreadsheet to the team members you wish to involve in the VE exercise. You might need to a kick off meeting at this point to get buy-in from whom you want involved. Expectations around how much time to be spent, costs incurred and deadlines for feedback should be set at the outset. On the spreadsheet include a summary tab that lists each item as well a distribution list for that item. Not all team members will be able to contribute to every item, nor should you waste time doing so. There is no point for example involving the interior designer on foundations or a steel fabricator on floor finishes. The architect, cost estimator and/or contractor do need to be involved in each item. For some items involving key subcontractors and potential suppliers may be beneficial. Within each item tab, add the distribution list with a space for their review comments.

4. Have each team member analyse their relevant items. This next step is probably the most powerful part of the VE process. To promote creative and critical review, include these question prompts:

- Reprice: Is this a competitive market accurate cost estimate?[6]
- Deletion: Do we need this item?
- Addition: What can we add to make it better?
- Substitution: What else could do the same job?
- Simplification: Is this (system/installation) overly complex to achieve the intended result?
- Systemisation: Is there a proprietary system available?
- Specification: Is this a higher quality than is required? What if we decrease / increase the quality? Can we provide more / less functionality? What if take a longer/shorter lifecycle view?
- Resource: Can we share, group or combine this function?

Let's use the function "kitchen" in a multi-unit retirement development to illustrate.

- Reprice: Is our subcontractor used to pricing this volume?
- Deletion: Remove cabinetry and turn a U shape into a L.
- Addition: Add an island
- Substitution: Swap benchtop granite with engineered stone.
- Simplification: Why not a single unit mini kitchen.
- Systemisation: Build the walls to fit a flat-pack kitchen.

- Specification: Upgrade appliances. Downgrade door handles.
- Resource: Kitchen to be shared between two units.

If we then focus on the element ‘kitchen bench’.

- Reprice: Order very early at discount.
- Deletion: Decrease the depth of kitchen bench.
- Addition: Add kitchen bench material to back-splash.
- Substitution: Replace marble with porcelain.
- Simplification: Create a one piece top with sink out of same material.
- Systemisation: Make each benchtop exactly the same size in accordance with least wastage from sheet sizes.
- Specification: Downgrade from Italian marble to Indian marble.
- Resource: Use the same supplier and material for kitchen benchtops and bathroom vanity tops.

The analysis and individual ideas should be summarised in the spreadsheet tab and all supporting documentation sent through (and referenced on the spreadsheet tab).

5. Consolidate all the replies into a single master spreadsheet, with consistent formatting. Some items will have few comments or none (i.e.no one could figure out any VE to improve upon), whilst others will attract many. This is the time you follow up and be somewhat persistent to extract VE ideas. You want to make sure everyone has given it their best attention.

6. Convene a value engineering workshop. Ask all team members to bring any further supporting evidence to their alternatives and ideas. At this workshop systematically go through each potential alternative/idea addressing the implications on.

- Revenue
- Marketing and buyer/tenant appeal
- Construction cost
- Redesign cost, time and coordination
- Linkages to other items
- Contracts
- Timetable and lead times
- Consenting risk

Like most brainstorming sessions it is important not to dismiss ideas too quickly, especially if project team members are not aware of the full picture. Firstly, you want to encourage ideas and not have people hold back out of worry of how it will be received. Secondly, what is a stupid idea to one person might be a fantastic idea to another and vice versa. For example, the structural engineer might propose to add columns to support a protruding cantilevered wing for a coastal hotel project – she is so confident this VE will save hundreds of thousands of dollars and has no idea why no one else thought about it. But the architect and developer, given years of painful planning consent hearings know all too well that the only reason this project exists with so many rooms and a half chance of being profitable is because of the cantilever. They have sold the community on the cantilever being an architectural ecological metaphor to a local and almost extinct seabird soaring into the air…(believe me it can get worse than that!). Thirdly, if you do dismiss an idea whether by group consensus, a vote (or because it really is stupid) at least provide a well-reasoned argument to support your position, so the promoter of that idea at least understands why and won't get despondent.

7. Many ideas will prompt questions, bring issues to light and require further research and investigation that cannot be resolved at the workshop. Unless your team are going to delve deeper without charging you (and in quick time), you may want to limit further analysis to those alternatives and ideas that look the most promising (profitable). Once again focus on the big savings first. However, enough small savings can start to add up. You will need make a judgement call on how far to let the team have another go before further investigation becomes counterproductive.Arrange the results of your workshop into a summary matrix. On this assign a status in relation to how knowledgeable you are with the potential cost versus its benefit and what action to take next. Here's an example summary matrix for two ideas gleaned from a VE workshop for an apartment complex project:

Value Engineering Summary Matrix Apartment Project

Element/Function	Structure	Wardrobes
Idea	Substitute steel for concrete on stage two buildings	Use off the shelf wardrobe systems rather than custom build
Implications		
Revenue	None	Unlikely any impact
Redesign	Substantial redesign required	None required
Construction Cost	Substantial savings expected	$1,000 per Wardrobe savings
Linkages	Affects cladding and services details	None
Contracts	Architect and Engineer will do within existing fees	Carpentry trade will need to issue negative variation
Timetable & Lead times	Sufficient time to change design. No impact on construction programme	3 months for pre-order, no impact on critical path
Consenting Risk	Consent needs to be changed	None
Overall Potential	High	High
Status	Needs a lot of work, but achievable	Resolved
Action	Undertake prelim documentation and contractor re-pricing before commit to change	Implement proprietary system immediately

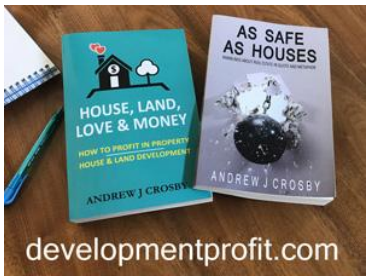
8. Finally, direct the team to further investigation or work towards implementing the more profitable idea.

With a balance between being methodical, realistic and creative that's how we value engineer!

_____

Cheers

Andrew Crosby



Around the Block...Chain March 18, 2018

Around the Block...Chain

I finally relented and decided to take a look at the application of blockchain technology to the real estate industry. If you hadn't already heard blockchain is the technology behind Bitcoin, and other cryptocurrencies. You know, that volatile alternative to money that goes from USD$10 to $20,000 in about 5 years, back down to $8,000 in 3 weeks and who knows where in the next 24 hours.

Blockchain is really a simple concept. A whole lot of complicated computer terminology does make it difficult to explain though. And there is a real risk that I mess it up completely without stealing an explanation verbatim. So here is one.

"Blockchain is a term used for an encrypted software technology that manages information, specifically the records of transactions. What makes blockchain a transformative concept is that the ledger is distributed, which means that every computer connected to the network has a complete or partial copy of the ledger. Furthermore, the ledger is constantly being updated through the efforts of multiple competing parties ("miners") working through an established consensus system. It is called blockchain because each ledger update adds a block of data to the previous block, creating an immutable and auditable chain of all transactions that have occurred. Essentially, blockchain is nothing more than a distributed database. However, the result of organizing a ledger system in a distributed manner reveals blockchain's true innovation: removing the need for a central authority."[1]

The how it all works is not really that important to our discussion. We will leave that to the teenage computer hackers, mining and hashing their tokens in Reykjavík. What is important, or at least what I am interested in, are the potential applications in real estate.

How can blockchain make real estate (acquisition / development / management / construction / marketing / whatever) **more profitable?**

Well there are at least five theoretical applications being actively and practically pursued:

1. Buying and selling real estate with cryptocurrencies.
2. Secure, transparent titles
3. Universal property reference
4. Property data
5. Asset fractionalisation, smart contracts and smart property

1. Buying and selling real estate with cryptocurrencies.
Well this is a pretty obvious application. Buy a building with Bitcoin. Sell your house and receive some Ethereum. Lease your next office in Ripple.[2]
However, real estate values fluctuate a hang of a lot slower than these digital dollars so early adopters be warned. Your bitcoin might buy one house 200m2 house on a beachfront today and only a barn in the middle of nowhere tomorrow. Using a cryptocurrency as a down deposit might also get a little tricky with your bank since they can't track where the money came from.[3]

2. Secure, transparent Title
To enable fast real estate transactions you need search access to trusted digital Title information. This is not a biggy in NZ as we probably have some of the cleanest titles of any country in the world, and whilst the contents are not 100% digitized yet they are scanned and easily retrieved within minutes from a corruption free government entity. However, in emerging countries this data sits all over the place and often Titles are plagued by disputes and fraud. Even in the U.S of A they have the concept of Title insurance. Companies like Ubitquity and Propy are taking on this challenge.

3 & 4 Universal property references and property data.
There are many transactions in real estate and they all involve lots of information about the real estate being transacted (size, bedrooms, gps etc) and the details of the transaction itself (date, dollars, from who to who). All this information is ripe to be recorded in a distributed blockchain. At the moment many companies are vying to control the information, with clones turning up every other day. It used to cost you money to find sales data in New Zealand but that is being opened up as companies now vie for a bigger (but I am not sure exactly what) prize. For example, think about the additional information you can now find about homes.co.nz, realestate.co.nz and trademe.co.nz when looking to buy or sell a house.

Having this information truly opensource with consistent terminology and definitions and every new transaction continually updating the collective market knowledge seems like a good idea to me.

Now whilst the four points above seem like good ideas and might make things a little easier and faster, nothing really jumps out to me as a big potential profit center. The guys/gals dealing in big data and the ability to mine it to advertise to and influence punters probably disagree. But all I can see happening is everyone getting access to more and more accurate data that is free. So a lot of public good, not sure about private profit.

That takes us to what I find is the most exciting potential application of block chain technology to real estate.

5. Asset fractionalisation, smart contracts and smart property.
Let's start backwards.

As far as blockchain is concerned a smart property is a property that has smart contracts in place.

A smart contract is an transaction/agreement where every clause and condition is digitized. Through the use of algorithms and a little bit of logical artificial intelligence the transaction can be looked at in various ways based on the wording in every clause. For example, on its impact on property cashflow. Think of the term in a commercial lease agreeing to a rent rise at CPI in 3 years time. The algorithms figure out what to do in three years time and do the cashflow itself, find what CPI is (from another database), adjust the financial records and start automatically deducting the increase every month from the tenants bank account. The landlord, bank and tenant all operate via the blockchain and all information is open and transparently available within the blockchain for data aggregation (but the individual terms are still commercially secure) .

With enough (every) property using smart contracts then the AI can get a lot more serious. It is conceivable enough data can be collected and processed to estimate market rents for a

particular property and automatically revise the rental rate on rent review date without both sides getting a valuer and lawyers to argue the point. That would save some money.

Then things get interesting. With complete digitization – and a secure transparent blockchain distribution of asset information – transaction and administration costs (like from a bank, lawyer, accountant) are reduced or eliminated. Throw in AI assessing risks and opportunities then this opens up what I call Asset Fractionalisation (the breakdown of equity or debt investments into micro but still distributable amounts).

Asset fractionalisation enables new investments that previously would have been too cumbersome and costly to implement and manage. One practical example applicable to housing:

Fractionalise the equity in your home. So by the click of the button you can make say 20% of the equity in your home available to other investors to bid on (or it might be at a set price). They could buy 19% or 0.5%. Blockchain data on market values gives real time value estimates of that fraction – so it goes up and down a little like shares. Any debt/security owning to banks or other sources (crowdfunding for example) is included in the equation, as are banks transactions part of the same blockchain. So is all localised data that affects the value of this house (cost/value of an extension, new home blocking the view across the road etc) as well as credit worthiness of the home owner, and rents they receive and expenses incurred. Net rents received could also be automatically distributed as micro dividends to equity holders.

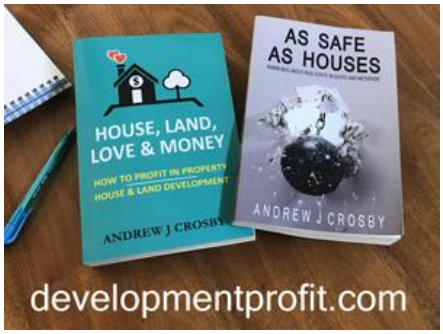
This turns an illiquid asset into a liquid one with incredibly low transaction costs. This is a not like a fractional timeshare investment – whose transaction and marketing costs overinflate the price of the property in the first place. Blockchain makes it all super efficient.

Here's a thought; the government could use this to enable affordable housing share equity schemes, painlessly.

Yes I am conveniently forgetting all the complications I am sure experts will like to remind me about, and I know my grasp is loose at best on the whole blockchain theory and reality. However, it is one to watch closely, because hidden in all the computer geek mumbo jumbo is some real disruption coming soon – and I think this could have a bigger impact than drones or flying cars!

Cheers

Andrew Crosby



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Property development decision making – gut feel, winging it and do you have a backup plan? February 18, 2018

Property development decision making – gut feel, winging it and do you have a backup plan?

In my latest book currently under penmanship I am writing the part that deals with decision making under uncertainty – pretty much the day to day life for any real estate developer! Along with some of the more academic approaches, like scenario analysis, expected monetary value and stress testing, I include what you would not normally find in any text: 'gut feel', 'winging it' and 'back up options'. That's because this is often the reality! Here's the draft text so far...

Excerpt from upcoming publication, due for release early 2019.

Gut Feel

You might not find this heading in any academic publication, but often real estate development decisions are made on gut feel. So what is gut feel?[1] Well on the surface it's your first or strongest instinct about what is best to do when presented with a decision. Geil Browning, Founder and CEO, Emergenetics International, tells us that "There is no such thing as a purely rational decision. The brain uses a combination of logic and emotion when making decisions of any kind."[2] That emotion is your intuition and it is the semi-scientific driver behind what people commonly refer to as their gut feeling.

One's intuition develops over time and is guided by learning, culture, ethics, technical knowledge, empathy, risk tolerance and most importantly experience – especially the success or failure they have already had in similar situations. A gut feel from an experienced practitioner could be more accurate than any detailed research and analysis, given the myriad of assumptions that are required in property development decisions. But, the gut feel of a novice is more likely to reflect underlying opinions influenced by a relatively myopic experience bank.[3]

So when someone tells me they have made a gut decision, I am going to be heavily persuaded if they are a successful industry leader and have been there and done that multiple times. For anyone else, show me the data and convince me of your reasoning please!

Winging It

Did he really put this in a book? How can anyone take this author seriously? Real estate development is a risky business venture. Taking over a project that has already failed is arguably even riskier. The reality is although we may like to think we have fully analysed a situation, luck[4] will play a part. You can help make your own luck by avoiding stupid mistakes and learning as much you can from knowledgeable others before acting. But nothing beats learning from experience. At the end of the day, when confronted by a decision in a new situation or under unique circumstances where you have no experience you will be to some degree winging it. So acknowledge that this is the case.

Once you accept that your pending decision is based on taking a risk with the outcome dependent at least partially on hope (i.e. 'winging it') you can still apply a modicum of common sense. For these types of decisions at least ask yourself – and analyse – "what's the worst that can happen?". By definition there is no limit to how bad something can get so it has to be thought of somewhat pragmatically. If that worst case outcome is financial ruin, well now you know. Then balance that with the equivalent best case scenario and your internal risk tolerance gauge will do the rest to guide your decision. Just remember, this project has already failed once, probably caused by a lot of unnecessary winging it in the first place.

You can also ask yourself, if it does all go downhill, "what are my backup options?"

Backup Options

To me real estate development is so exciting precisely because there are often so many options. On the same piece of urban residential land you could build a big house, three terrace homes or ten apartments[5]. In the CBD you could build an office tower, a hotel, a condo complex, a shopping center or all four combined!

The goal for any property development project is to maximise profit. That means finding and gaining approval for the highest and best use for the land. Having some backup options analysed and planned for just in case that highest and best use does not prove so might be a good idea. The higher the risk the better the idea! They may not be as financially attractive on paper, but could save an own goal in a deteriorating situation. If you have done your due-diligence thoroughly enough when looking to take on this failed project you will already have explored many of these potential backup options.

You might be the kind of person who says they have two plans for the project: "Plan A and Plan B: refer to plan A" to build motivation and focus in the troops. Yet if its other people's money you should have thought about, and preferably planned for in advance at least one backup option.

Footnotes:

[1] There is a growing body of research that delves into extracting the science behind ones 'gut feel'. Here are some articles to get you started:

http://www.medicaldaily.com/your-gut-feeling-way-more-just-feeling-science-intuition-325338

https://www.livescience.com/54825-scientists-measure-intuition.html

[2] https://www.inc.com/geil-browning/go-with-your-gut-trusting-your-intuition.html

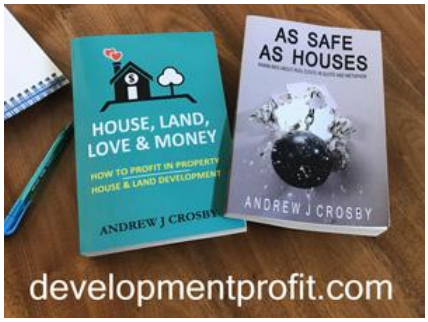
[3] Of course this book can help increase the indirect experience bank!

[4] In this context 'good luck' can be defined as the convolution of external and uncontrollable factors that conspire to positively improve the results from this decision.

[5] If zoning permits! – of course you always have the option to challenge the zoning.

Cheers

Andrew Crosby



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Now a selling author... February 3, 2018

Now a selling author...

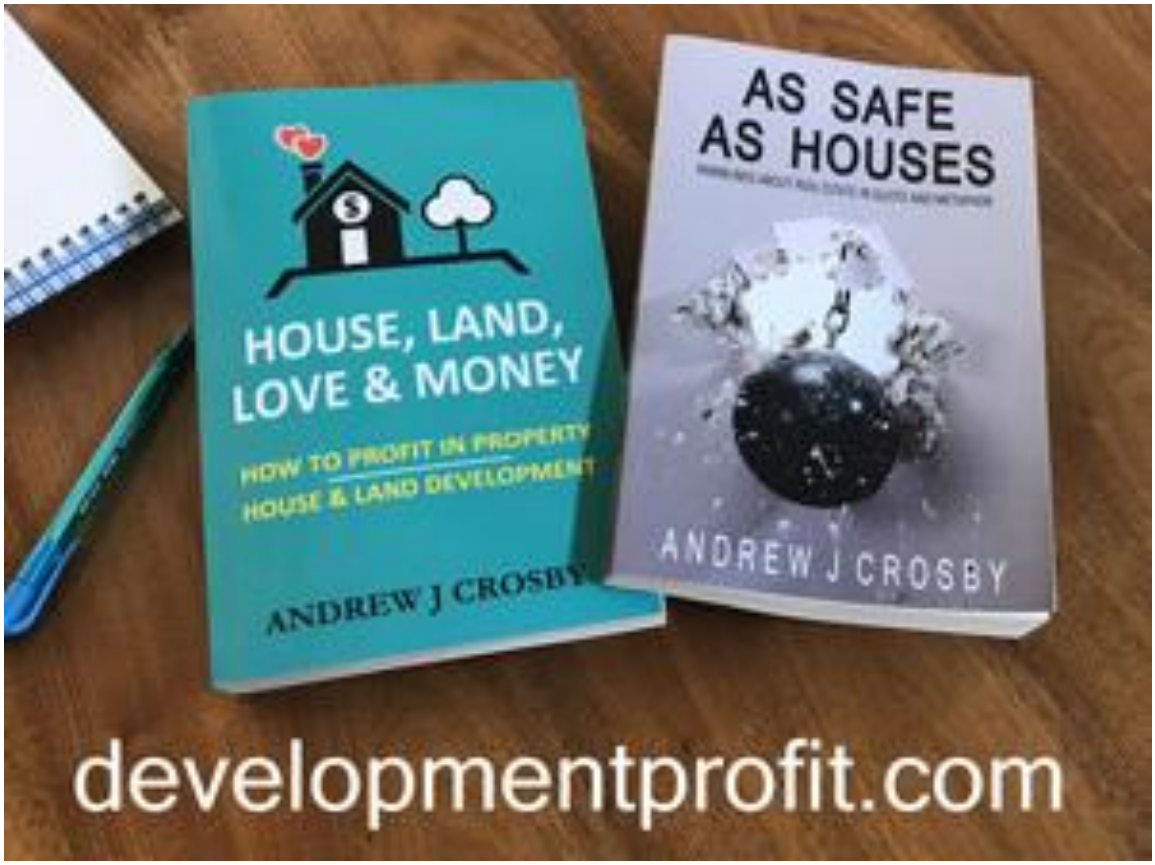
Well, I am now a selling author. I just logged on to order a bunch of the books for New Zealand distribution and found I have actual sales via Amazon. My wife says I am a tin-ass.

www.developmentprofit.com

BTW. If you are in NZ and want to order copies, email me publishing@aenspire.com for special rates.

Cheers

Andrew Crosby



State Houses on Hapua YIMBY January 30, 2018

State Houses on Hapua YIMBY

Re this
article: http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11981063

It's the land stupid that's worth the money! Also not sure what the NZHerald reporter was gunning for with tenant saying its bullsh*t – probably just headline grabbing. Here's my thinking:

Tenant has clearly said if it was his choice he wouldn't live there. Good, after 37 years its time to embrace change so a move out is in order, or if that is a problem, temporarily move him and move him back once a new small home is built.

Then redevelop the section into more state houses. If the section next door is HNZ (there were a few on Hapua) then combine them and develop more state houses. Make it tenure neutral – but doesn't need to be extravagant, just don't completely disregard the neighbors.

Then, and here's the big point: select new HNZ tenants based not on the parents issues that caused them to need a state house in the first place, not on their place in the queue BUT on their kids potential to excel in a new environment where most people around them are not in a gang. Kids will go to very middle class Victoria Ave School and Auckland Grammar or Epsom Girls as of right, rather than say – because of rugby.

Let's turn say one or two state houses into say 6 to 8 terrace houses, hey even sell a couple to help fund it. That means you could end up with 2 or 3 John Keys and 2 or 3 Jacindas in the making.

Now HNZ will already know exactly what to do on this site and probably plans drawn up, possibly pending a board approval – but I say just do it. Move the bulldozer in now!

If its good enough for Meadowbank then its good enough for Hapua. Mixed tenure at its best should not leave so called exclusive neighborhoods alone.

Disclaimer: I used to work at HNZ and I live very close! YIMBY

Cheers

Andrew Crosby

Development Failures and the Future January 27, 2018

Development Failures and the Future

Into my third and fourth books now. Trying to get one finished in late 2018 but I doubt it, so lets say both in 2019.

One is very practical, but also very boring to write so I struggle to keep the motivation up on it – Trademe property listings and LinkedIn are simply too fewer clicks away diverting my attention.

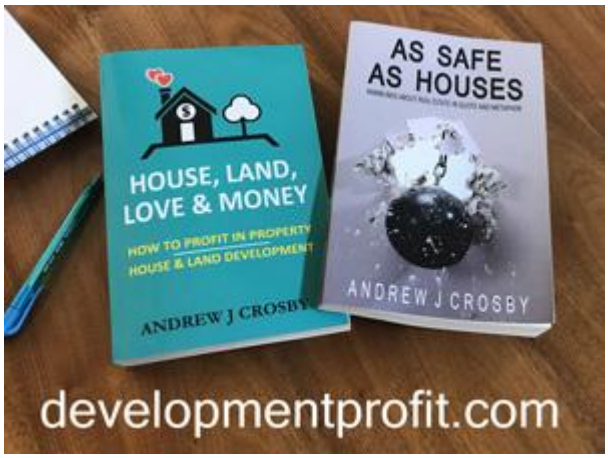
Basically, the boring book is everything I have absorbed over the years on how to deal with a project that has previously failed, resurrect it and make a profit! Every developer with any volume of experience leaves failed projects in their wake in search of the elusive successful ones – so I have seen my fair share. Many development projects started life out as failures anyway so this book really just builds upon my first book 'House, Land, Love & Money'. The content is completely different though and in this book I go into depth about project audits, risk management, value engineering, damage control, cleaning any mess up, re-calibrating the opportunity, decision making, implementing change and that sort of thing. Working title is "From Failure to Finish Line'.

The other is a futurist focussed book. It is certainly enjoyable to research and hopefully the way I am presenting it (fictional stories) will make it a good read. It is also a great self educate tool as I am forced to learn everything I can about what is or could be about to hit the real estate and construction industries. I find writing about something means you have to understand it better and have a good think about practical implementation. Out of this process I'm hoping to find some real nuggets that could benefit my day job as well…(relax everyone, we wont be changing anything, for changes sake…).

Well, I better get back into it otherwise it will be 2020 already and I will be writing about the past.

Cheers

Andrew Crosby



Property Development Course 2nd half 2018 January 21, 2018

Property Development Course 2nd half 2018

Just signed on for another year to deliver the property development course at Unitec in Auckland. It's held over two weekends and many professionals and contractors typically attend.

More information at www.developmentprofit.com

DevelopmentProfit.com Launch Party January 14, 2018

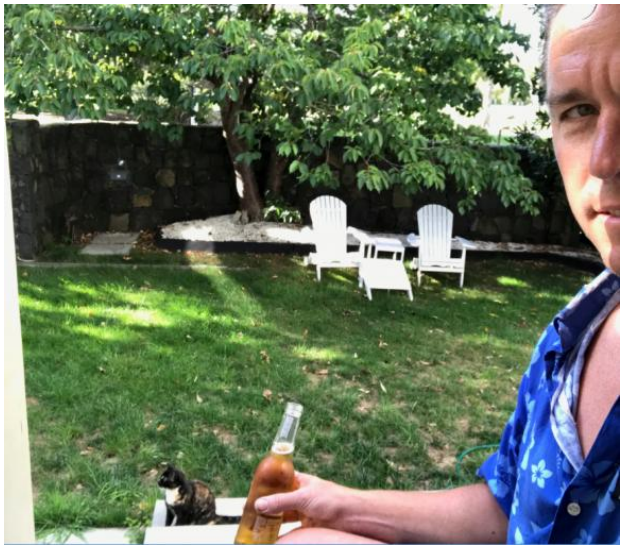
DevelopmentProfit.com Launch Party

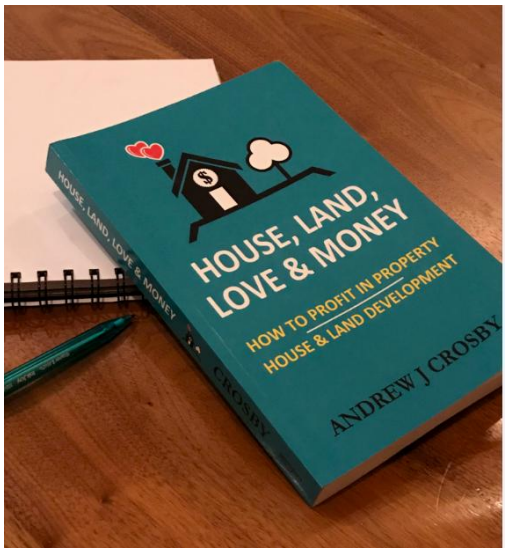
Here it is: the official launch of developmentprofit.com

The official launch party starts at 5pm today. My apologies to all whose invitation got lost in the mail.

The guest list consists of me, the entire aenspire team, Cros, all the family not on the beach at Mt Maunganui right now (i.e. they are ALL on the beach and I'm in Auckland on a beautiful hot sunny day, sitting inside on my computer!), Andrew, AJ, myself, I and a cat called Rio. Catering will be lambchops and beer (and Whiskas for the feline if she bothers to show up). Dress code is Hawaiian shirt, shorts, jandals. A full nights entertainment will be provided at the park – viewed from the front steps no less – courtesy of NZTA and angry returning holiday making traffic jam inducing SUV's, Parnell cricket club and casual strollers or budding athletes still trying to work off Christmas dinner.

UPDATE 8.30pm: The cat made it!





Why no post? January 14, 2018

Why no post?

So, why have I not posted for 18 months?

Well a couple of things:

1. I changed roles in 2017, I am now Vice General Manager at Universal homes. This will be a challenging role but with a great team close to 100. We develop and build homes in the affordable to mid price range (that's over $1m folks!) in great locations currently in Auckland. The mandate from the board is growth, and that's why I am here. We have about 300 homes under construction in about a dozen projects across town. We also just went unconditional on the land for a billion dollar project, that will deliver over 1000 homes itself. Needless to say I had plenty to do prior to that at Equinox as well as the first 100 days at Universal as well.

2. All my spare time energies went into finishing the property development book, that's been hanging around in my head for over a decade now. I found that writing the blog was distracting me (temporarily), just like LinkedIn posts! And I was sick of spending the nights and weekends, Siberian salt mine style, working the book to a conclusion. The good news is she is done. And just to boot, because it is so boring (a how to, foundations of house and land development book devoid of anything remotely comedic), I decided to write another one. Yes, completely opposite, more of a quotes and metaphors and interesting (to me at least) factoids with a few opinions thrown in. Not expecting them to make the NY Times best sellers list, but at least my mind can be free again. Both of these are now for sale on Amazon.

As Safe as Houses (the weird, not sure why I wrote it, why anyone would want to read it or where it's going one)

House, Land, Love & Money (the boring one, about making profit in house and land development, the nuts and bolts as I have experienced it).

That's all. What does that mean for future posts – I am not sure. But with 120,000 words out of the way who knows whats next.

Thank you Equinox January 14, 2018

Thank you Equinox

Friday 29 September, 2017 was my last day at Equinox. Equinox has been a great company to work for and I thank Kerry, Cameron and Chong for providing me the opportunity. Equinox have been and will continue to be at the forefront of delivering quality housing (much of it affordable) in Auckland with a nitty gritty persistence and relentless innovation in brokering deals. They put an enormous amount on the line, and face up to almost insurmountable obstacles to help Auckland get more housing. Still, Equinox delivers and I am proud to have played a small part in their journey.

Yes it has been a long time since the last post! BUT I HAVE BEEN BUSY as you will soon see.

47280:173 July 17, 2016

47280:173

That's how many words and pages I am into my first book. Today, I can say I have pretty much completed the first draft of the content with structure intact. Apparently that's the easy bit done.

The book writing process is an interesting one, something I will have to write a blog on one day. There are plenty of ups and downs on the motivation front. Some days you think the entire structure is wrong and others you forget what sort of style you are supposed to be writing in. Often I just cant be bothered turning the computer, especially after a big day in the real world – the TV show 'Million Dollar Listing' on Bravo doesn't help either!. On other days, my phone becomes the book writing tool – it is already on after all and for some reason, the effort doesn't seem as much, even though its highly inefficient. This blog post is also an attempt to semi-publicly keep my commitment to deliver this thing!

Today was easy to get into it, its raining outside and my daughter is spending most of the time potty training next to me while the rest of the family are out. There is also an element of cathartic release involved as writing helps improve your ability to clarify, strategize and deal with the very day to day things you are writing about.

andrew.crosby@aenspire.com

What’s your purpose? June 4, 2016

What’s your purpose?

“My purpose is to create, deliver and inspire the worlds most profitable, advanced and efficient property developments”

Whats yours?

Down but not out! April 25, 2016

Down but not out!

It has been a very busy last 10 months. I have been focusing on my day job, now involving multiple residential and mixed use development projects with hundreds of homes, apartments and commercial premises at different stages of planning, design, consenting, sales, construction and settlements.

I also delivered my 2015 contract with Unitec – the property development paper for final year students, and re-engaged for 2016 starting in a few months.

Unfortunately the blog has suffered as I have not devoted the time to research nor to creating the opinion pieces.

However, rest assured any spare time not browsing real estate listings is being well spent – I have a book in the works……an introduction to residential property development management…..and the first draft is nearing completion.

This blog will of course be the first to know when it is published.

2016 Predictions for Property and Construction January 16, 2016

2016 Predictions for Property and Construction

"Prediction is very difficult, especially if it's about the future."

That quote politely sums up the prediction business from the 1922 Nobel prize in physics winner, Niels Bohr, a Danish quantum physicist. I gave up on the prediction business some time ago, to be precise 2008, after believing in continued demand for Arizona real estate and a 'worse case' being a leveling of prices as population growth would remain strong.
Now I think Warren Ellis has a more apt description:
"I try not to get involved in the business of prediction. It's a quick way to look like an idiot."

Nonetheless, the professional predictions for real estate in 2016 keep on coming so here are what others are saying:

PWC Emerging trends in real estate 2016 Canada and United States

PWC Emerging trends in real estate Asia Pacific 2016

EY Global Market Outlook 2016 Trends in real estate private equity

Realtor.com Five Key Trends for 2016

Inman.com 10 real estate trends to keep an eye on in 2016

Marketwatch 4 real estate trends we'll see in 2016

Construction Dive 10 construction industry trends to watch in 2016

Construction Executive Top Tech Leaders Share Predictions for 2016 and Beyond [I especially like their vision of a jobsite in 2030]

Fast Co Design 5 Trends Shaping The Future Of Architecture

Autodesk Top 10 AEC Trends for 2016

realestate.com.au Q&A: What will the property market look like in 2016?

National Real Estate Investor Commercial Real Estate in 2016: Six Trends

Realcomm CRE Tech & Innovation – What Lies Ahead for 2016

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A Great Team June 10, 2015

A Great Team

June 12, 2015 is my last day at Housing New Zealand.

I am extremely proud of my team (past and present) and what they have achieved over the last 3 years, under various changes in management, group structure and the omnipresent political and media environment.

I can confidently say I leave the property development management team in a great space for the future. However, ALL the credit goes to the team I happened to be nominated 'manager' for. The team's hard work means architects around New Zealand are leaving no stone unturned in design, we are pretty much joined at the hip with Councils around the country – especially the HPO in Auckland, resource consents are being pumped out, we are invigorating asset and tenancy management with placemaking concepts, financial feasibilities are positive, investment business cases are making sense, framing is going up and homes are being delivered!

Specifically, I point to these notable achievements that the team, of course with the help of many others at HNZ, have delivered and continue to deliver on:

1. 399 Manchester, a private public partnership with Legacy, creating a truly mixed tenure apartment development within the four avenues of Christchurch.
2. The merit award at Property Council for the Garrison Henshaw aged resident apartment project built by NZ Strong.
3. Minor redevelopment (infill and tranche 3) programme of 250 homes under Auckland's operative plan.
4. The design and deliver factory that is now the Special Housing Area Redevelopment Programme for another 500 homes in Auckland.
5. Together with the Christchurch Earthquake Recovery Team, the factory that is now the infill housing programme for 700 homes in Christchurch.
6. Our regional programme with projects in Hamilton, Tauranga and kick starting the regeneration of Maraenui in Napier– a subdivision built at record speed, cutting through all bureaucratic tape.
7. Getting that first significant board decision to start civil works for what will be 500 plus homes at McLennan in 2012 and now building homes and selling superlots to increase affordable housing in Auckland.
8. Sealing the deal with Willis Bond on the Lake Pupuke Drive mixed tenure apartment project in Takapuna.
9. Regenerating the socially challenging suburb of Pomare in the Hutt Valley in another private public partnership.

10. Long term divestment, refurbishment and redevelopment solutions for earthquake prone apartment complexes around New Zealand including substantial apartment tower blocks in Auckland and Wellington.
11. Our role analysing aged care solutions and the retirement sector as part of MBIE/Treasury's Social Housing Reform Project.
12. Establishment of the Auckland and Christchurch developer and builder panel.
13. Overhaul of the 100% HNZ owned projects design-build contractor procurement process to make it more commercial.
14. Comprehensive assessment of Auckland CBD potential apartment development holdings.
15. Significant Auckland suburban land holdings regeneration analysis.
16. The Wellington CBD apartment development strategy and implementation – with four exciting apartment projects currently in design.
17. Working with Tamaki Redevelopment Company kick starting what will now become their development programme.
18. Demolition of what only can be called some of New Zealand's most brutal past attempts at social housing.
19. Process creation that is working to enable continuous improvement.
20. Many more successes, too numerous to list.
21. There were also a number of false starts and abrupt changes in direction – these learning opportunities have added to the collective IP and will contribute to eventual success.

It has been enjoyable working with the vast number of consultants, developers, builders and other social housing providers involved in our projects from all around New Zealand. The secrets I believe to a good and profitable relationship with Housing New Zealand are:
– Be flexible, acknowledge it's a different beast and changes do happen. There is a strong desire and government mandate to be fair to all suppliers which often manifests itself in rigid rules. There are so many stakeholders to consider and ambiguities to navigate that are not typical in the private sector. However, if you are prepared, do your job well, stick at it and add value and save money you will get there.
– Balance the bright ideas and innovation with hard work and practical detail; don't forget the detail, especially regarding infrastructure!
– Don't take a contract for HNZ or the expert employees, that work with a passion and extremely hard at HNZ for granted.
– Understand that HNZ exists to house New Zealand's most vulnerable – our tenants are our business. It is incredibly pleasing when architects, consultants, contractors and developers really attempt to understand the complexities of the HNZ tenant. That is when real solutions come to fruition and the entire corporation provides buy-in.

I thank the three managers I have reported to past and present at HNZ – I am the better from being under each of their tutelage and did my best to have our team perform to their stretch expectations. I really appreciate the opportunity to have worked with my compatriots in the ADG

leadership team and I also thank those advisors whom have provided our team with a huge injection of commercial acumen and experience from different perspectives.

Finally and most notably I look back on each of my team members professional and leadership growth. We started with a hands off private public partnership approach on all projects – our role was to be the client and enlist and rely on the collective industry wide expertise of the development community.
I leave now as the development managers are individually responsible for the entire development process from site due-diligence and design, through to consenting and construction. Despite the obstacles thrown at this team – from internal red tape to political changes in direction, to external audits and sometimes what appears to be rewriting the rule book – the HNZ property development management team pushes on, backs itself and is a force to be reckoned with. These guys know their stuff.

Cheers and thanks guys. Go build some houses !

Andrew Crosby
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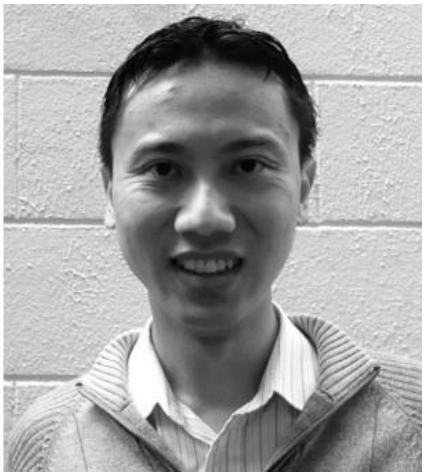
Techno #02 Pic2Paper May 14, 2015

Techno #02 Pic2Paper

In this blog series we look at technology in real estate development and construction. Today we interview Chris Lin (on the right), co-founder of mobile app start-up Pic2Paper.com



Chris,

Tell me about your background and what motivates an ambitious property development manager to change lanes into software development?

My Co-Creator, Chris Farhi and I originally became friends during University. Since then, we have worked as professionals in the property industry primarily in development and consulting.

We pursued Pic2Paper because we saw both a need and an opportunity. The journey from the original idea to the App Store has been very exciting.

I look at Pic2Paper and I see what appears to be a solution to a frustration you obviously experienced in your day job. Am I right and what led you to conceive the idea for Pic2Paper?

That's spot on. Property is physical, so in our professional lives we often take photos, for example during site visits. Pic2Paper provides a quick tool for presenting photos and notes within reports. This enables you to capture and present the critical information from a site visit – photos and notes – using a quick and elegant tool. This delivers substantial time savings and increased accuracy, which is important for professionals.

While conceived with property in mind, Pic2Paper has a much wide user base across both professional and personal uses.

We were surprised that an App did not already exist for this. Pic2Paper is not mind-blowing from a technical perspective, but it is an elegant tool that solves a very real problem.

You had this idea and then you had to convert it into a marketable product – tell me how your implementation progressed?

Pic2Paper has been a journey for both of us and a major learning curve. It all started with a scribble on a piece of paper that we developed into a working idea. Initially the idea was much more complicated, but over time we simplified it down to its essence and in the process it became relevant to a much wider range of users.

We worked with a local app development firm to finalise the design and programming of the app. The team there were a great young crew with a passion for apps, which made the process really enjoyable. Meanwhile we completed the other collateral ourselves (website, social media, video, etc), which was another learning curve!

The application looks simple to use and based on a basic premise – what do you see as the 3 most important benefits your software provides?

The three key benefits are:

1. *Streamlining what is otherwise a very tedious manual process:taking photos, taking notes separately, downloading the photos, collating them together, and then presenting them within a report. This process can literally take more than an hour, whereas Pic2Paper can create a report in a few seconds. This saves time and therefore saves money for the business / client.*
2. *Enhanced accuracy because the photos, notes and doodles can be completed in real time (while out and about) so there is no data loss.*
3. *The app automatically creates high quality reports, which means that even 'quick' photos and notes can be instantly presented to a professional standard.*

There are some other subtle benefits, like automatic time stamping of photos, which also provides greater information than would otherwise be available from manually created reports.

Who is going to get most value from using Pic2Paper?

Whilst the idea originated from a property background, we believe that anyone who takes photos, particularly for work, can benefit from the app. At the end of the day, being able to caption a photo adds value to the photo.

Perhaps, a modelling agency taking head-shots with a description of name / height of each model, then sent off to a client for consideration. Perhaps, a botanical scientist who wishes to take time capture photos of the growth of a plant. The user base is extremely wide, and the layout / presentation just wraps everything up in a complete package.

Even in a personal sense, holiday shots with a note about the location, event, scenario etc might be worth recording.

Linkedin is how I found out that you had launched your application – what other marketing channels are you utilizing and where do you think this will end up?

We are primarily using word of mouth, both 'in person' and using social media. Using social media, we have already been approached by a number of professional institutes who will be featuring the app in their publications as they see the app as being a valuable tool for their members.

Chris, it was great talking to you. One last question – in retrospect these solutions seem obvious, so what's next on your radar?

Thanks for your time also Andrew. We have one or two other ideas floating around, which admittedly I won't disclose! At this stage Pic2Paper is our focus, and with a global playing field we'll just have to see how it all pans out. We are also looking to gear up for Pic2Paper's release on Android. Spread the word!

Sure will – I look forward to the Android version!

Contact: Chris Lin Co-creator – Pic2Paper chris@pic2paper.com
Get your app at www.pic2paper.com

Interviewed by Andrew.Crosby@aenspire.com
Andrew founded a start-up software company in 2000 "CollaborIT" specialising in online collaboration for construction and development projects. Since then he has taken an active interest in how to improve the intellectual mechanics and productivity in property development and construction. Andrew has run into the founders of Pic2Paper (Chris and Chris) now for few years at various events and the occasional business dealing.

Town Centre Principles – United States Selection May 7, 2015

Town Centre Principles – United States Selection

From the aenspire:educate archives we present 'Town Centre Principles – United States Selection'.

TownCentres-Aenspire.pdf

We will look to update this work with the latest and greatest Town Centre projects on this blog.

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www.aenspire.com

Techno #01 Acuite: Construction Intelligence May 7, 2015

Techno #01 Acuite: Construction Intelligence

In this blog series we look at technology in real estate development and construction. Today we interview Antonia and David the founders of an ambitious new start-up 'Acuite' – soon to be publicly launched.

Antonia, how did you and David get started on the road to entrepreneurship?

Both David and I have always had the motivation to create something big, bigger than us, to add value to others, create a legacy and become successful. Since we completed our qualifications, we secured good jobs, built a house and started settling in…But the motivation was still itching, and we were not content. The hardest part was getting started.

Our entire careers were built around the property and construction industry, an industry we are extremely passionate about. We were running multi-million dollar projects with extremely lean margin levels (5%) and significant risk profile. We weren't surprised to learn that on a global level 77% of executives experience under-performing projects, and that 50% of these projects experience cost over-runs of between 10 and 200%. The sad thing is, often for many construction companies a project that has made no margin is still considered as a good outcome.

We decided to do something about it, we dedicated our entire nights and weekends to develop a visual representation of a concept we had. We joined forces with The Icehouse (NZ' leading business incubation centre) and went through a comprehensive market validation phase. Once we started to see really strong traction from the market we decided to take the leap, re-mortgage our home, quit our day jobs and dedicate ourselves to this venture in full capacity.

Tell us about Acuite – what's your elevator pitch?

77% of executives in the construction industry are currently experiencing under performing projects. The problem? – Time delays, poor estimating practices, failed risk management, and poor performance by sub-contractors. The solution? Enter Acuite.

Acuite is a cloud based SaaS web application that provides real time visibility and analysis of critical performance metrics across projects.

This enables firms to better manage risk while maximising value & performance.

What sets us apart? – Our Industry expertise, market positioning, algorithms, intuitive design and product development in conjunction with three leading NZ organizations.

For our audience, mainly property development, consulting and construction professionals, what do you see as the three most important functions of your software?

1. *We provide real time visibility across portfolios and into projects through collating & displaying real-time metrics & critical KPI data via user friendly drill down dashboards. Additionally, all team members can make decisions based on up-to-date and accurate information from every level of your operation.*
2. *Because critical metrics are available real time, we can cut the times currently spent of manualised reporting processes. This also provides one source of truth and a consistent view of performance for all members of the organization.*
3. *In complementing a comprehensive risk management feature set, we provide a unique internal Benchmarking ability that means risks across the organization can be easily identified and dealt with, before it is too late.*

I understand you have three of New Zealand's top mid tier contractors on board – can you tell me who your target market is and will New Zealand be enough?

We are fortunate to work with some of the most innovative, entrepreneurial and largest construction firms in NZ. These companies are paving the future for something global, they see our vision and recognize its value. They have been extremely supportive and are playing a significant part in the Acuite journey.

Our target market is mid-tier to large scale commercial construction firms, with an annual turnover of $50m to $300m. The market size in NZ is limited and our strategy from day one is to create a global success story. We are starting off with NZ and AU, followed by the US.

How did you find the recent Ice Angels investor pitch evening? – I was there and it looked a daunting prospect, although your presentation was polished and you looked totally in control.

It was nerve-racking because we knew how significant the opportunity was, failing was not an option. It was an opportunity to showcase our vision and achievements to technology, business experts and high net worth individuals. Very similar to the Dragons Den, we had 8 minutes to pitch why Acuite was the best investment opportunity for them. We practiced the pitch for three days pretty much full time, it was worth it – we attracted significant interest and currently going through the due diligence process.

Do you have any suggestions for those budding techpreneurs with ideas but not sure where to start?

Ok, so here are our practical tips;

1. *Define clearly what pain you are solving and what is your proposition*
2. *Undertake a market validation analysis – talk to your target market, ask all of them the same questions and as a result conclude what the market wants / needs are (you will be surprised because what you think the market want and need is most likely different to what you originally had in mind, that's good!)*
3. *If the market needs are severe and you conclude that there is an opportunity, take the next step – invest couple of thousands of dollars and create a visual prototype of your solution*
4. *Pre-sell your product to prospective customers (start with those you interviewed at the market validation phase).*
5. *If you followed 1 to 4 you should have some good traction, now you need to start building a minimum viable version of your product. You can either do this yourself, bring together people that can help, or raise some money to get started from family and friends.*

What have been your biggest obstacles so far?

When we first started the journey we had another co-founder, we were a solid team of three. Building a start-up is time consuming and not easy, unfortunately due to family commitments he had to step down. A third of our resource and funding had disappeared instantly.

There are constant obstacles, and you just have to be persistent and not give up. We keep saying to ourselves, if it was easy everyone would be doing it.

Who are your role models, those that inspire you to give up your day job and tackle such a project as Acuite.

I love reading about NZ's global tech companies that started from nothing. Reading Derek Hendly's book 'Heart to Start' was a significant inspirational boost when we first started.

Finally, tell me where you will be in 2025 – should I be looking at the digital billboards (whatever new technology they will be by then) in Times Square?

Yes, we aim to become a global leader in intelligent technology for the construction industry. By 2025, productivity in the construction sector would increase significantly, and Acuite would save construction firms across the globe billions of dollars on an annual basis.

Contact Antonia Speight +64 21 680 609 antonia@acuite.co.nz

Interviewed by Andrew.Crosby@aenspire.com

Andrew founded a start-up software company in 2000 “CollaborIT” specialising in online collaboration for construction and development projects. Since then he has taken an active interest in how to improve the intellectual mechanics and productivity in property development and construction. Andrew has been a sounding board and supporter of Acuite and the solutions it provides to industry wide under-performance since its inception.

www.aenspire.com

Starchitects, Celebritects & Archikardasians May 3, 2015

Starchitects, Celebritects & Archikardasians

Star Architects, Celebrity Architects and Architects known widely simply because they are in all the magazines, have become part of the common built form vernacular.

I have found myself recently using the term 'starchitect' again after a multi-year hiatus. I think it has something to do with these so called elitist architects, whilst always recognised for their notable public and commercial buildings, have now again entered residential development. Of course many famous architects in the past have always being doing this but it was during the previous boom that really got into profiling and publicly associating developments with these masters of architecture:
http://www.metropolismag.com/April-2006/Starchitect-Condos-2005/

I recall one brush I had with starchitecture; it was one hell of a humid day, I had just emerged from the Boston subway at the Kendall Square Station, my destination an old brick building that now housed the MIT Center for Real Estate. With the sweat increasing I found myself walking past the most odd of buildings, a cartoon style structure – the MIT strata center.

Source: http://www.eitc.org/

To take a break and soak up some air-conditioning I made a concerted effort to walk through the building on my way home after class. It was very interesting inside and out. A little research that night uncovered the building had some issues with surprise, surprise some of the details and MIT had sued Frank Gehry:
http://www.bloomberg.com/news/articles/2010-08-17/bashing-architects-with-lawsuit-only-kills-innovation-james-s-russell

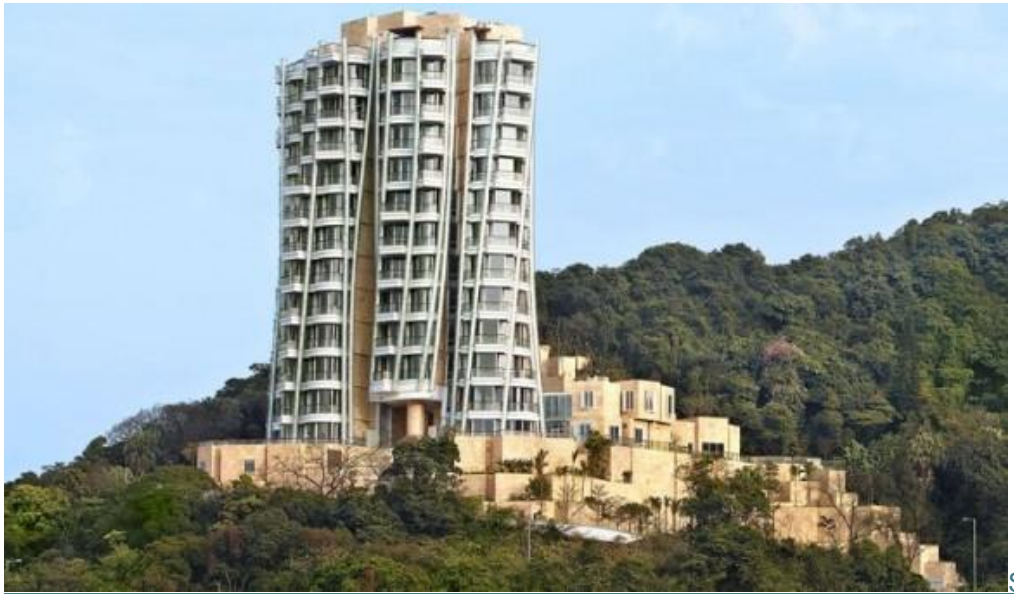
Since that fateful commission Frank Gehry has designed some notable apartment and condominium buildings.

New York by Gehry

Source: http://www.newyorkbygehry.com/

The apartment building developers obviously targeted the appeal of Gehry's reputation in naming the building after him – here's an interesting article about living in what some big applers call a work of art :
http://www.nytimes.com/2011/11/29/nyregion/living-inside-new-york-by-gehry.html

Opus Hong Kong



Source: http://www.opushongkong.com/

Opus, breaks all sorts of $ records, significantly helped by its dramatic location perched on 'The Peak' in Hong Kong as shown in http://fortune.com/2012/11/15/inside-frank-gehrys-surreal-opus-hong-kong/

Some recently designed buildings by other Starchitects include:

Herzog and De-Meuron Canary Wharf

Source: http://www.archdaily.com/529812/canary-wharf-development-including-herzog-and-de-meuron-tower-wins-planning-approval/

Zaha Hadid 520 W 28th St New York

Source: http://www.e-architect.co.uk/new-york/520-west-28th-street

Phillipe Starck Yoo Montreal (just broken ground April 2015)

Source: http://www.yoomontreal.com/

Of course Starck is well know for his interiors and this development does not dissapoint.

Source: http://www.yoomontreal.com/

Typically the idea is to make money off the architects name – one source quotes "*Having a celebrity architect design a project adds a couple hundred thousand dollars, or an additional 1 to 3 percent," says developer Aby Rosen, who owns the Seagram Building*.

Of course just like the Stata Center these buildings can backfire on the architect and the developer using the architects name or at least produce mixed results as this article, albeit pre the recent surge in NY apartment values, describes: http://www.nytimes.com/2012/03/11/realestate/starchitect-buildings-test-the-value-of-a-name.html

That means there are also plenty of Starchitect plans that just don't get off the ground (end of a cycle anyone?) for example Santiago Calatrava's 80 South Street. Santiago is arguably best known for his bridges not condo towers though! – as I describe in a previous blog.

For another perspective on Starchitecture in general you may want to get hold of a copy of the book STARCHITECTURE *Scenes, Actors and Spectacles in Contemporary Cities* by Davide Ponzini and Michele Nastasi, 2011

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Quality in Construction Part 1: What's an eave between friends? April 19, 2015

Quality in Construction Part 1: Whats an eave between friends?

In this blog series we look at a number of aspects that concern modern day quality of construction.

My team had an interesting discussion the other day, despite the fact it concerned not the most exciting of subjects: eaves.

Our discussion focused on do we need eaves in our medium density developments and if so how deep do they need to be and what risk are we taking on if we remove them.

Frank Lloyd Wright - a big fan of large eaves

Developing medium density housing at a gross density 1:200m2 or (50 homes per hectare) where most of the houses are standalone, requires a high attention to detail that needs to be addressed early on. At this density it is the space between buildings and site boundaries that is critically important. In a zero lot line configuration, there may only be 1.2m between homes. We are into design, consenting and contracting on about 20 of these sites at the moment and we are finding every centimeter counts.

Despite New Zealand's leaky building crisis and a sea of wrapped townhouse schemes having to be re-clad the basic fundamental weather protection of an eave seems to have escaped the lexicon for many designers.

The pressure to remove eaves is a direct result of planning regulations because when applying height in relation to boundary rules, it is the eave that is first to infringe. The easy fix is to clip the eaves which allows you to move the wall closer to the boundary.

In addition, wider eaves increase the percentage of impermeable area on a development site which many zoning regimes seek to control for storm water runoff – so deeper eaves can mean less sell-able floor area.

There are also modern design pressures, what I will term the 'monolithic architectural style', requires solid forms not ruined by punctuating with functional rain protection elements. It does appear many designers now forget about the simple things like how eaves can bring other important benefits like shading during the heat of the summer.

Unfortunately by clipping the eave, you bring water closer to the wall of the home and all openings and horizontal details on it. If there is no eave, water in the gutter is right next to the wall/roof intersection and the effects of pressurisation need careful consideration (*I am getting out of my water-tightness knowledge depth here!*). The lesser the depth of the eave the higher the risk of the detail you will be constructing. The higher the risk, the higher level of scrutiny needs to be devoted to ensure quality during detail design and construction.

As recent as last weekend I viewed a property in a popular beach resort that has all the hallmarks of a leaky home – built in the 90's, lack of head flashings, monolithic cladding system down to the ground, some cracks, no cavity, and numerous other problem indicators. However, whilst it will probably deteriorate faster over time as any driving weather eventually finds its way through a proven failed cladding system, this building had no leaks – what it did have was substantial eaves!

I am conscious that the thousands of houses my team has responsibility for developing over the coming years are built to a high quality that lasts; despite budget cuts that could affect maintenance budgets despite; despite gutters that get clogged; despite some failure of some material we don't yet know about; despite weather-tightness guarantees our contractors provide; and despite how fail safe cladding manufactures market their products as.

To that end we have just implemented a quality assurance process if we are forced to create an eave that is less that 300mm deep. This involves an independent review and inspection of the design and the construction by an independent registered building surveyor (*RICS qualified preferred*), making these eaves a focus of quality assurance in the project control meetings and the development and project managers eyeballing the detail and workmanship on site.

Eaves are easy. Eaves work. Long live the eave.

Andrew Crosby
www.aenspire.com

Angel Consulting Services March 26, 2015

Angel Consulting Services

Similar to Angel Investors, Angel Consulting is based on a high risk, high return investment strategy. We invest our time and intellectual resource strategically on high risk, high growth opportunities. For those client opportunities that don't monetize we treat our losses as experience for continuous improvement.

This service is a simple proposition to executive clients: if you do not profit from the consultancy assignment you do not pay.

To discuss your companies next light bulb moment contact angelconsulting@aenspire.com

AngelConsulting.pdf

Inform – Blog writing and whitepaper production for property, construction and real estate companies March 21, 2015

Inform – Blog writing and whitepaper production for property, construction and real estate companies

You've seen your competitor blogs shared on LinkedIn, you look at their websites and find they offer all types of free analysis and industry insight. They are gaining traction with their profile and really showcasing their experience. In fact they appear to have become the experts in their field – and that is a threat to your business.

Blogs, industry whitepapers and providing real value online takes time and effort. Whilst you may have best intentions you never seem to get around to starting let alone the time to regularly maintain them.

Three key reasons for maintaining a regular and insightful blog and series of whitepapers:

1. Demonstrate your expert status, experience and capabilities without trying to sell yourself.
2. Each article can be sent to existing and new clients as a means of keeping in contact, relevant to their needs and in front of mind.
3. A professionally presented recent article that is relevant to the business you are trying to win is a powerful influencer in your marketing bid package.

Inform, by aenspire.com, can help your company gain the exposure you rightly deserve. We make it easy for you.

Our experience includes numerous blogs, published newspaper articles, and whitepaper production over 16 years in the property, construction and real estate industries. One claim to fame is Donald Trump featured as guest interviewee for a client's blog article.

Inform services include

Ghost Blog Writing – we write topical and informative articles on your behalf. We undertake relevant research, piece together examples of your experience, create the interest angle and publish on your blog.

Blog Interviews – we write articles for you, introducing you in an interview type format. You provide a recent engagement or area or interest and we craft interview questions to solicit responses that help demonstrate your expertise in this area. Interviewees may include your clients and suppliers.

Whitepapers – we undertake in-depth analysis and create a formal, factual ‘paper’ that you can use to post on a blog, send to clients or leave as part of your marketing pitch. They key here, is you are offering real value and advice not just some sales teaser. The more structured and professional the more impact to demonstrate your expertise to peers and clients.

PDF: Inform-byaenspire.pdf
Contact: inform@aenspire.com

Show Me the Options ! March 14, 2015

Show Me the Options !

Option Analysis in Design Management for Apartment Projects

Resource in the development management field is currently in short supply and irrespective of a growing development management team I have found myself running the conceptual and design management stage of 4 new apartment projects concurrently. Each project has its own separate architectural team whilst other consultants (planning, traffic, structural, CPTED, quantity surveying, services, geotech, acoustic, arborist, valuers, real estate research/agency, fire and civil infrastructure) are split across some or all of the projects. All together there are about 30 consultants.

The architects and project teams, some of New Zealand's very best, have been briefed in a very specific way; **show me the options !**

The instruction is very clear and for good reason. I have learnt over the years, aided by tutelage from some of new Zealand's most prolific developers, that there are almost an infinite number of ways to skin a development site. If you don't explore enough of them you could quite easily fall short of making anything work and definitely will not extract the optimum result.

In my day job I can at least limit myself to residential options, but even-so the number of potential permutations can be significant.

To extract the best options is definitely an art. It is not so much the art of knowing the right option yourself, but it is the art of ensuring your team have explored enough options for you to solidify a quality solution.

Your objective may be to find the solution that maximize's profit, or you may have to juggle a few other conflicting variables as well like stakeholder needs or social amenity which makes it even harder.

In these apartment projects I expect we will explore no less than 20 base options, shortlist as we go and then explore a dozen or more sub options, just to land on a bulk and location that 'sort of' works. Then as we start to go through the detail many more variants will be explored until we settle on a conceptual design or two to present to my client (our government stakeholders). Indeed all four of these projects are well into base options numbering in the teens (and if any of my team are reading – we are not there yet!).

How much does all that cost you say?
Well it's a lot cheaper at this stage than diving into the detail and expense of developed design for a flawed option or worse building and trying to sell the wrong option.

Of course architectural design is not the only parameter to consider, early on you have to juggle design options with project cost and project profit (plus in my case project economic value). Project economic value is the attempt to quantify value outcomes where the financial gain is more subjective – i.e. how much value to you ascribe to healthier people in healthier homes creating less reliance on the health system, or how much value to you put on enabling community interaction to limit social seclusion, a safe driveway for kids etc.

It is a constant juggle between design and project feasibility. One cannot change the design without simultaneously looking at the implications on cost and value. So you work most with the architect, but you need constant interaction with other consultants and your own cost and value judgments. We make the assumption here that before you have engaged a project team, and perhaps even the architect you have already explored a number of financial feasibility options and decided to progress to bulk and locations and conceptual design.

Exploring options in conceptual planning helps a development manager tease out what are the most important components of a development. If we focus on the residential apartments I am involved in only, these components can range from fundamental elements to more detailed nuances.

Fundamental elements include:
– The number of units (often the prime determinant in maximising profit)
– What type of units – how big, how many bedrooms and how many bathrooms
– How many car parks are required
– Car parks on grade, underground, under-croft or above ground
– How high a building, how many levels versus its site footprint, floor to ceiling heights
– How many buildings on a site
– Separation between buildings on a site
– Types of building circulation and access – central core, internal corridors, external walkways (not a fan by the way!)
– How far one must walk to their unit from the vertical circulation point, how many unit entrances must they walk past, how many options does one have to get to their unit
– Stairwells and elevators
– Amenity provided – parks, playgrounds, gardens, gym, community space
– Orientation of units towards the sun
– Orientation of units towards any views or outlook
– Orientation of units towards neighbors, and the view of neighbors
– Location of units relative to each other and circulation
– Single aspect versus dual aspect
– Vehicle access into and out of the site
– Existing trees on site, and effect of neighbors trees
– Curb appeal and streetscape
– Do we refurbish, demolish, or adapt and reuse

These big ticket items contribute significantly to how much the project is going to cost and how much it is going to value or sell for.

Detailed nuances (at least a very small subset of) can include:
– Size and orientation of decks, patios and outdoor living
– Placement of trash collection
– Loading spaces, truck turning
– Pedestrian access versus vehicular access
– Circulation widths
– Considered views and outlook from every window
– Views from the street into units
– Letterboxes
– Number of entries and exits
– Occupant interaction areas

– The journey between car park and unit
– Retaining walls and dealing with slopes
– Fencing and gates

These detailed nuances are often the little things that make a project, all too often neglected in design but very apparent when construction is complete and people are living there. A comprehensive option analysis helps address these important areas early on to derive most value.

Another aspect of option analysis I have found useful is when you are creating the development on behalf of a client, and that client has many stakeholders who have an involvement and/or contribute to project decisions. There is a trap in this situation, especially if the brief you start off with has any ambiguity, even if you have created the perfect concept you still have to sell it.

It is impractical to involve all stakeholders throughout the design process all of the time. Even if you could, opinions and committee thinking can tend to dull down good design decisions and you can find yourself constantly fighting others propensity to take wild tangents or question decisions already made at a higher pay grade. That means you have to present concepts and options to stakeholders to give them legitimate involvement, but carefully contained to ensure project objectives are met.

For many stakeholders this may be the first time they have seen a concept. Here lies the trap – you proudly present one option (your very best) to your stakeholders. Regardless if it is the most perfect concept ever developed you are likely to get critique, and if any of the stakeholders are not property development experts the critique may be deafening (and project threatening) even if it is entirely left field noise.

To prevent being locked in this iron maiden of a conundrum; **show them the options !**

What I am doing on these projects is to ensure every hand drawn sketch on butter paper, every bulk and location drawn using CAD, every section and every floor plan drawn is kept and ready to format into a display folder. Good architects do this anyway, but the key is to make sure they are not throwing away options they discarded before they showed them to you in the first place. It is also important to keep long ago considered schemes and not just to keep a few variants of the final scheme.

To me it is just as critical to show what options don't work as to what does.

This folder provides the 'evidence' of the design management evolution you have been through and you can present it to your stakeholders and decision makers. As you flip through the options, sometimes reinforced by an accompanying financial feasibility, the story emerges of what strategies you have looked at, what ideas you have dismissed and most importantly helps you explain all the reasons why it is where you ended up.

If you show them the options, then they may just show you the money !

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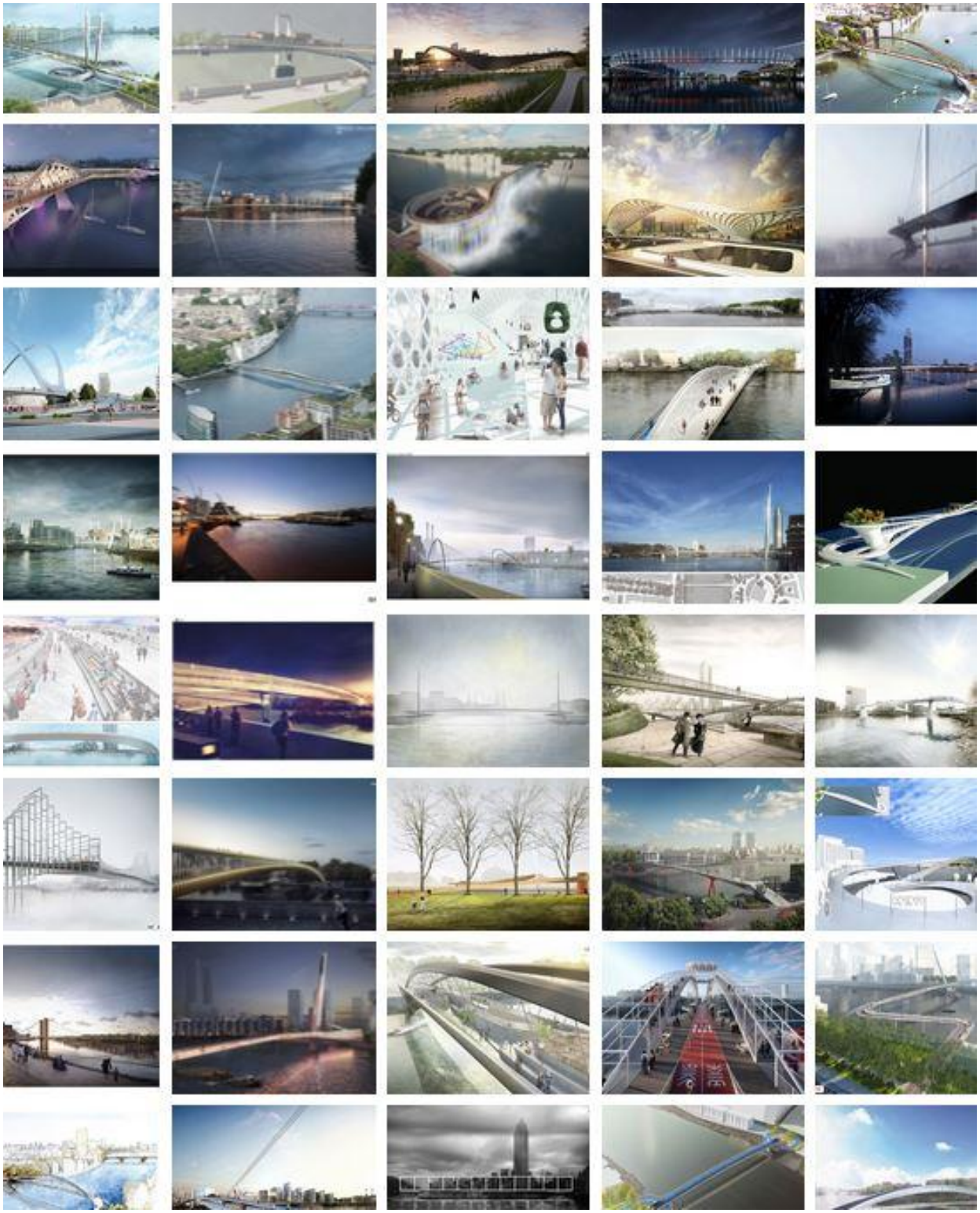
Bridge Over the River Thames February 28, 2015

Bridge Over the River Thames

Following on from my earlier post Bridge over……is that really a bridge? take a look at the 74 entries for the Nine Elms to Pimlico Thames bridge design competition.

Source: http://www.nep

bridgecompetition.co.uk/gallery.html



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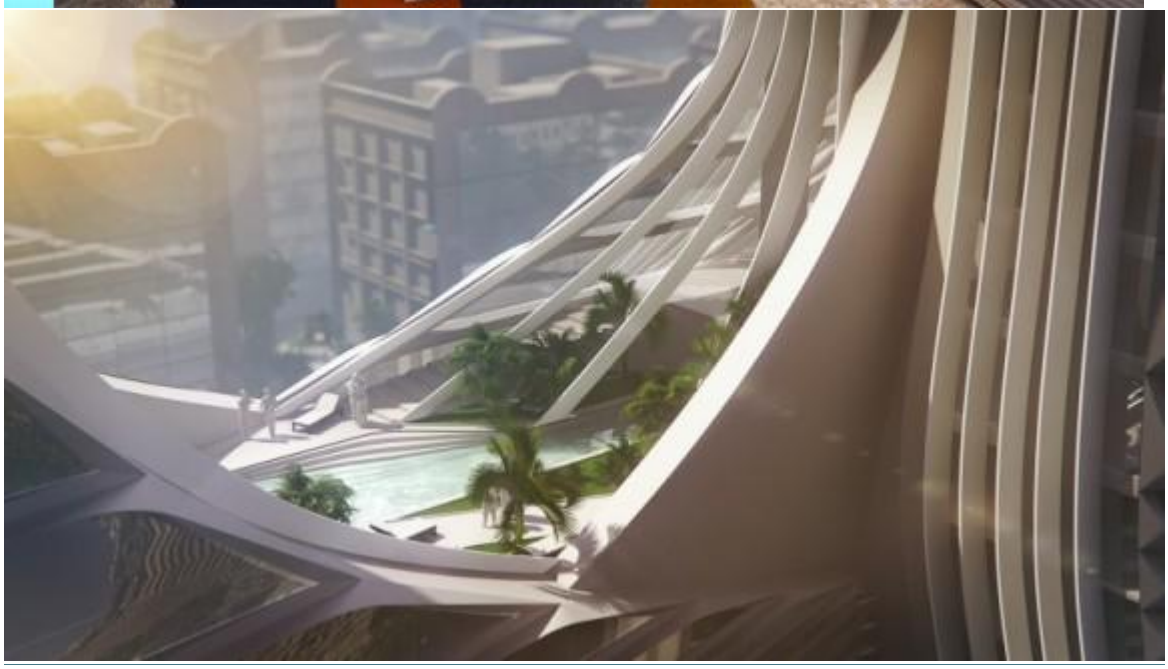
Around the World in Eighty Projects – Part Two November 2, 2014

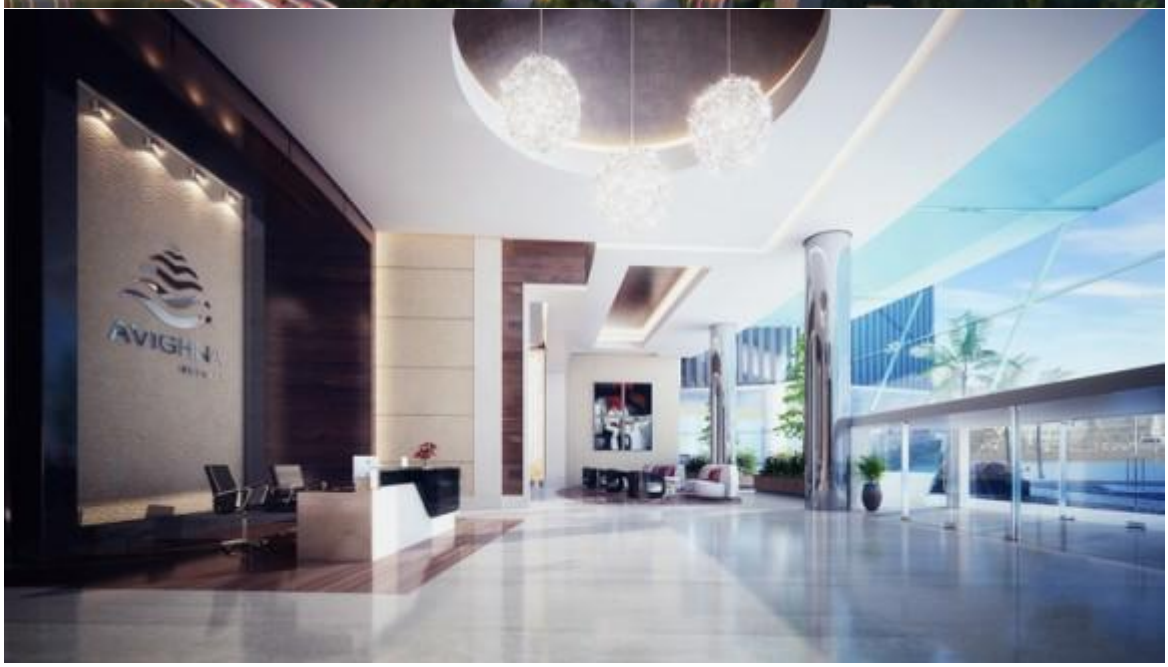
Around the World in Eighty Projects – Part Two

Continuing where we left off in Around the World in Eighty Projects, here are projects 31 to 80.

Mumbai
Source: http://ornatespaces.com/projects/the-grove-towers.php



Source: http://oneavighnapark.com/



Chicago

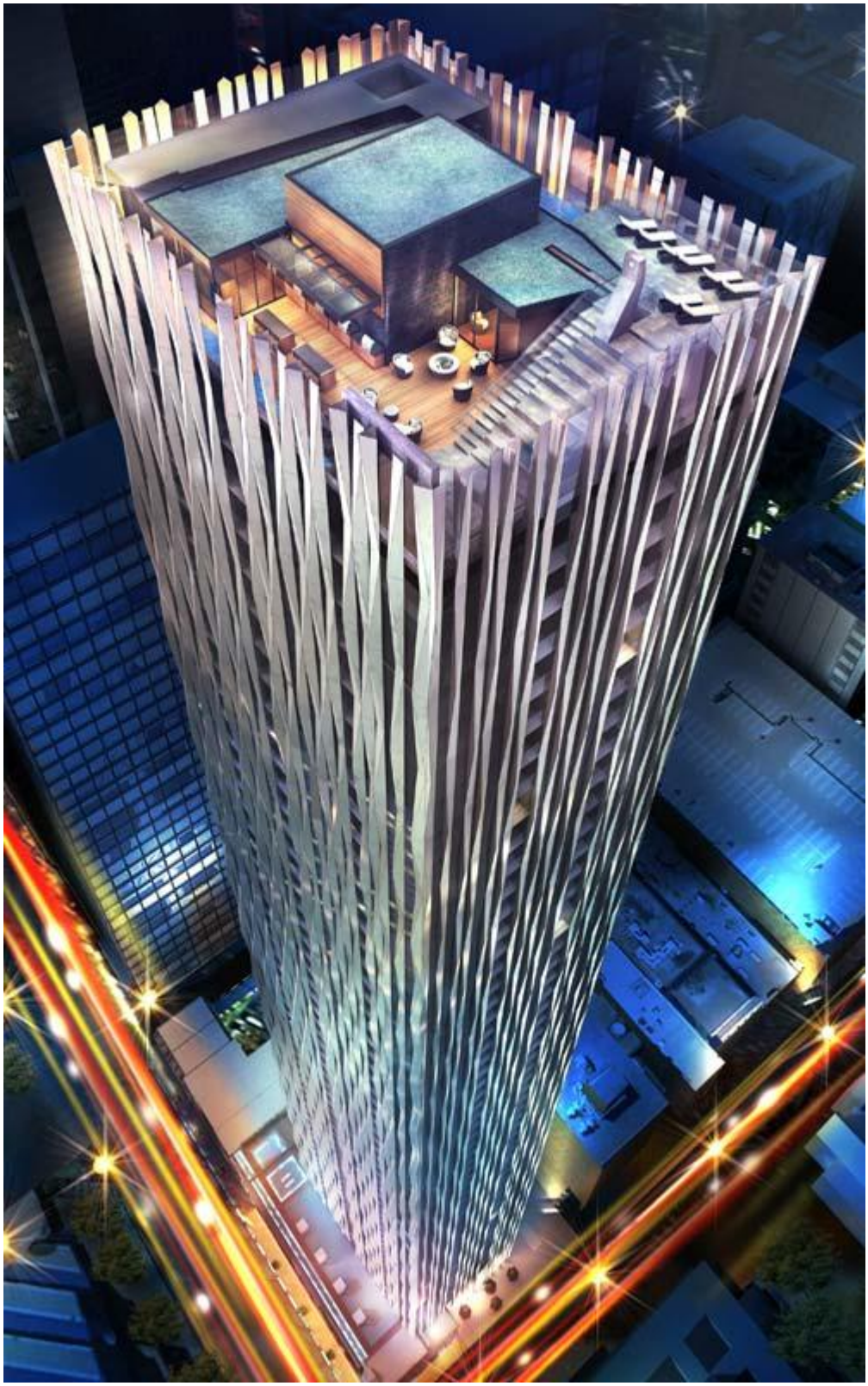
Source: http://www.theresidenceschicago.com/

Source: http://www.aqua-condos.com/

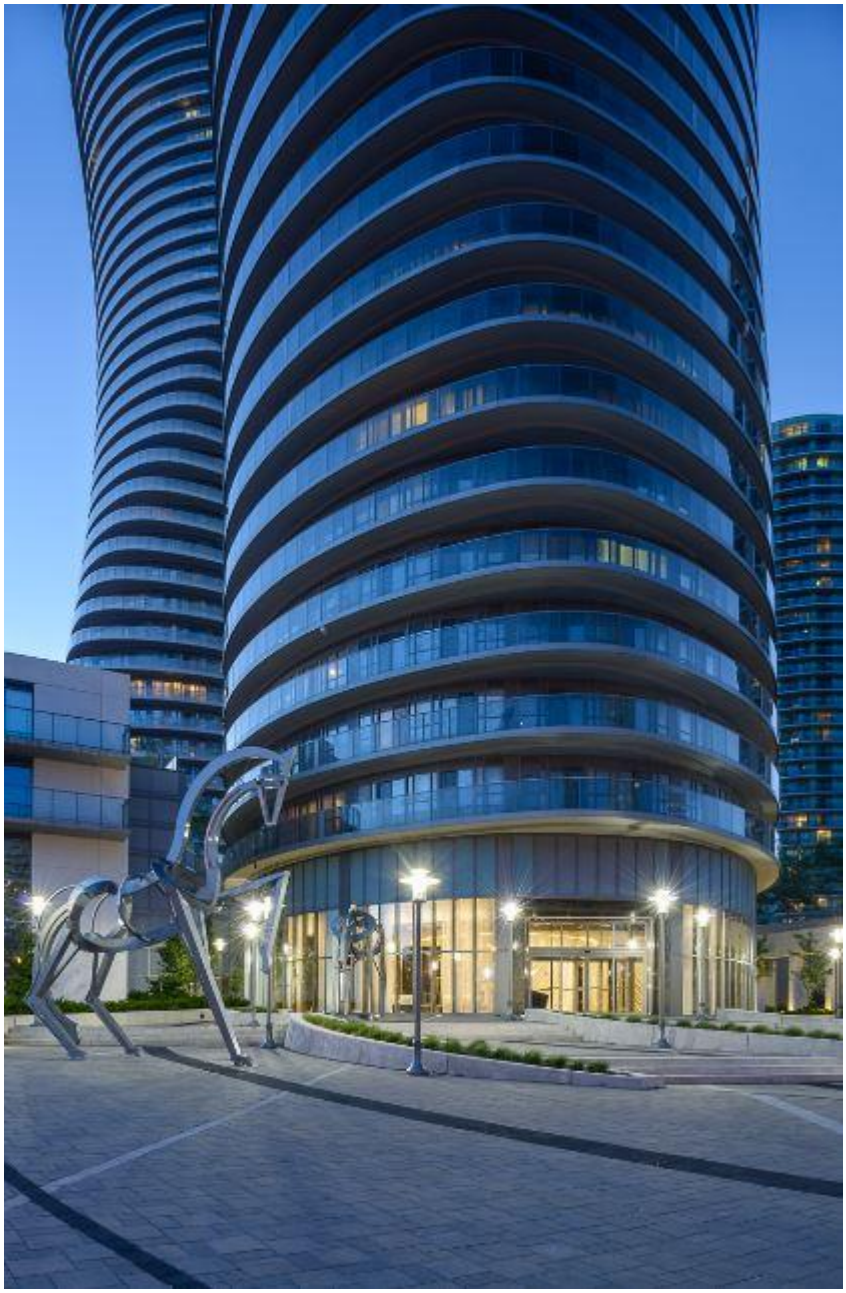
Toronto

Source: http://11wellesley.com/

Source: http://bazis.ca/1-yorkville/



Source: http://www.dezeen.com/2012/12/12/absolute-towers-by-mad/



Miami

Source: http://www.designtowermiami.com/

*All drawings are conceptual renderings and the Developer expressly reserves the right to make modifications. Actual views may vary and cannot be guaranteed. Views cannot be relied upon as the actual view from any particular unit within the condominium.

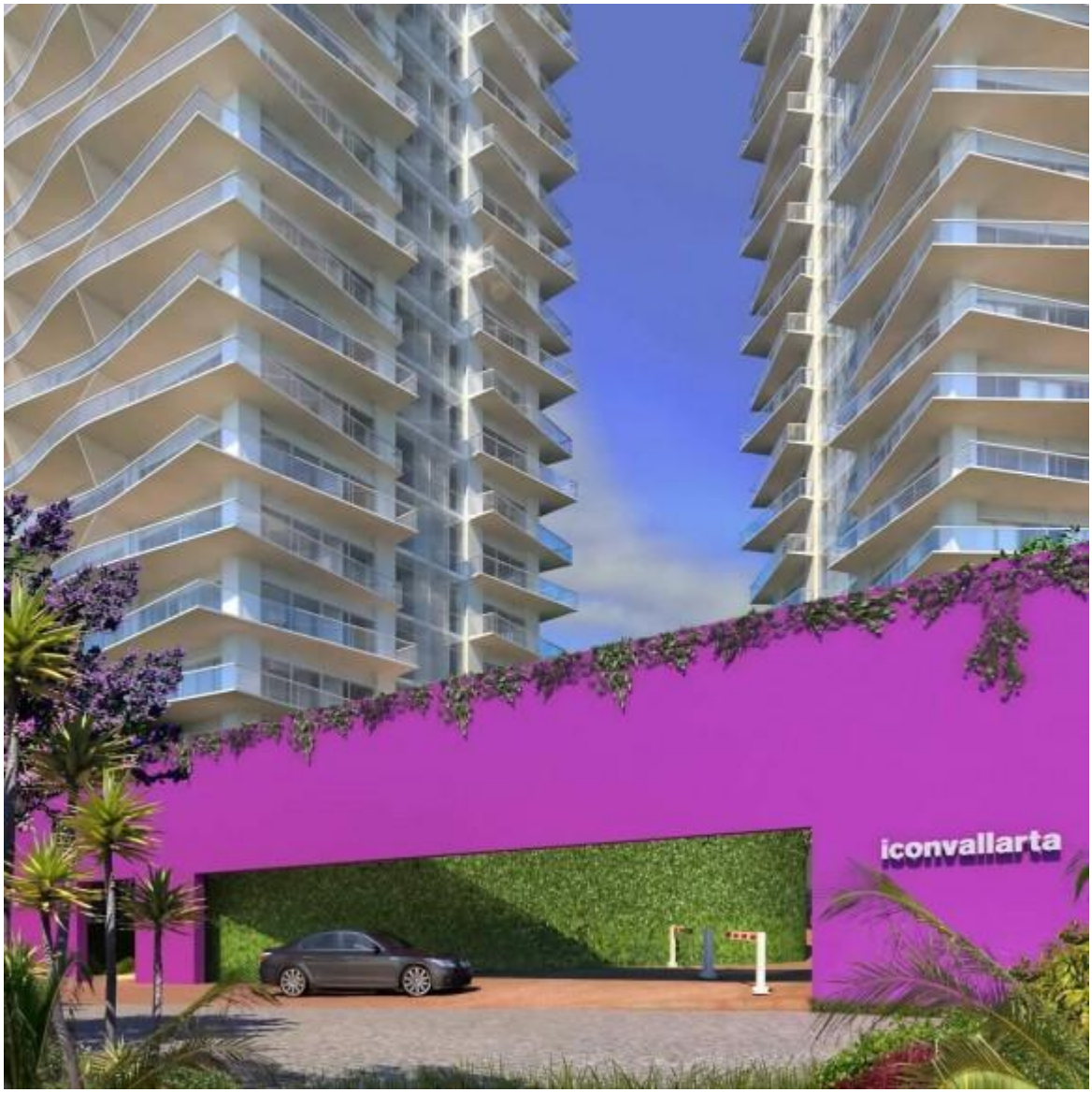
Source: http://www.slsbrickell.com/

Source: http://www.iconbayresidences.com/

iconbay
luxury waterfront residences

Puerto Vallarta Mexico

Source: http://www.iconvallarta.com/homeintro.html



Sao Paulo

Source: http://www.b103brooklin.com.br/

Source: http://www.setindowntown.com.br/Genebra

apolo

Source: http://www.setindowntown.com.br/Sao-Luis

SETIN
DOWNTOWN
são luís
200

Source: http://www.parqueglobal.com.br/

Imagem preliminar, sujeita a alterações.

Source: http://www.edificiovitra.com.br/

Kuala Lumpur

Source: http://www.greenresidence.com.my/

Source: http://www.tropicanagardens.com.my/

Source: http://www.damansaraforesta.com/

Lobby

The stunning ARC Pavilion

Rain Water Harvesting

Source: http://www.tantan.com/projects/seri-ampang-hilir/

Source: http://www.tantan.com/projects/three28-tun-razak/

Three28 Tun Razak

Three28 Tun Razak

Cyprus

Source: http://www.askanis.com/index.php?pageid=156

Hamburg

Source: http://harvestehuderweg36.de/en/

Berlin

Source: http://www.yooberlin.com/en/

Tel Aviv

Source: http://www.rcr-herzliya.com/

Jurmala (Latvia)

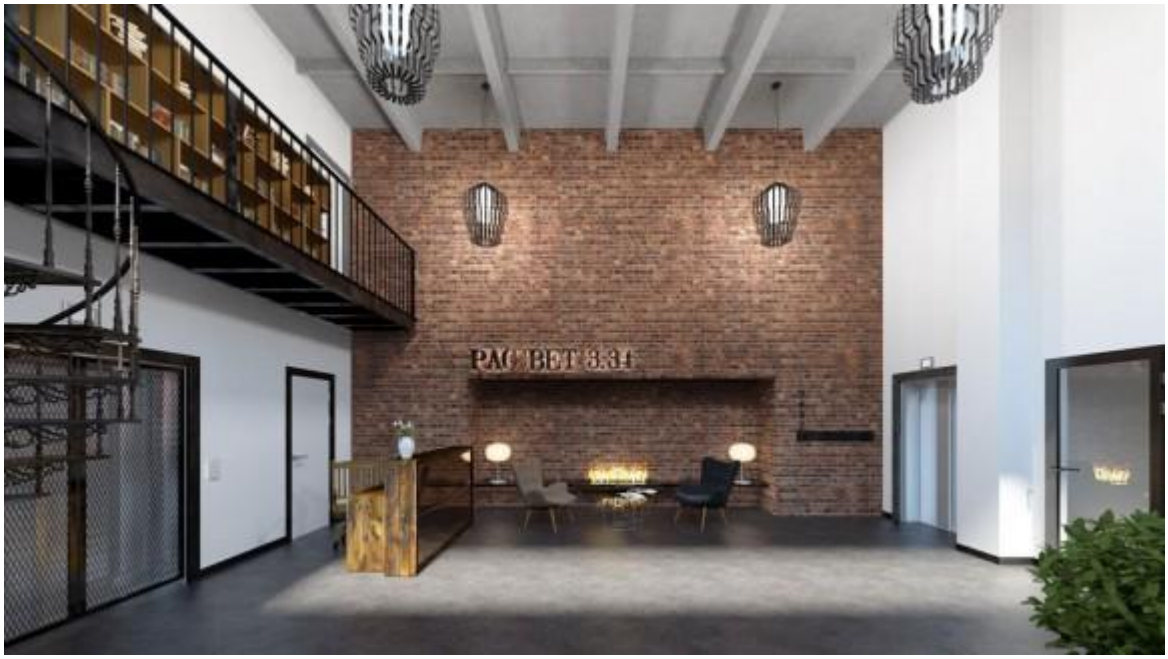
Source: http://www.legend.lv/en

Gaziantep (Turkey)
Source: http://www.iconova.com.tr/

Kiev (Ukraine)
Source: http://o-r.com.ua/en

Moscow

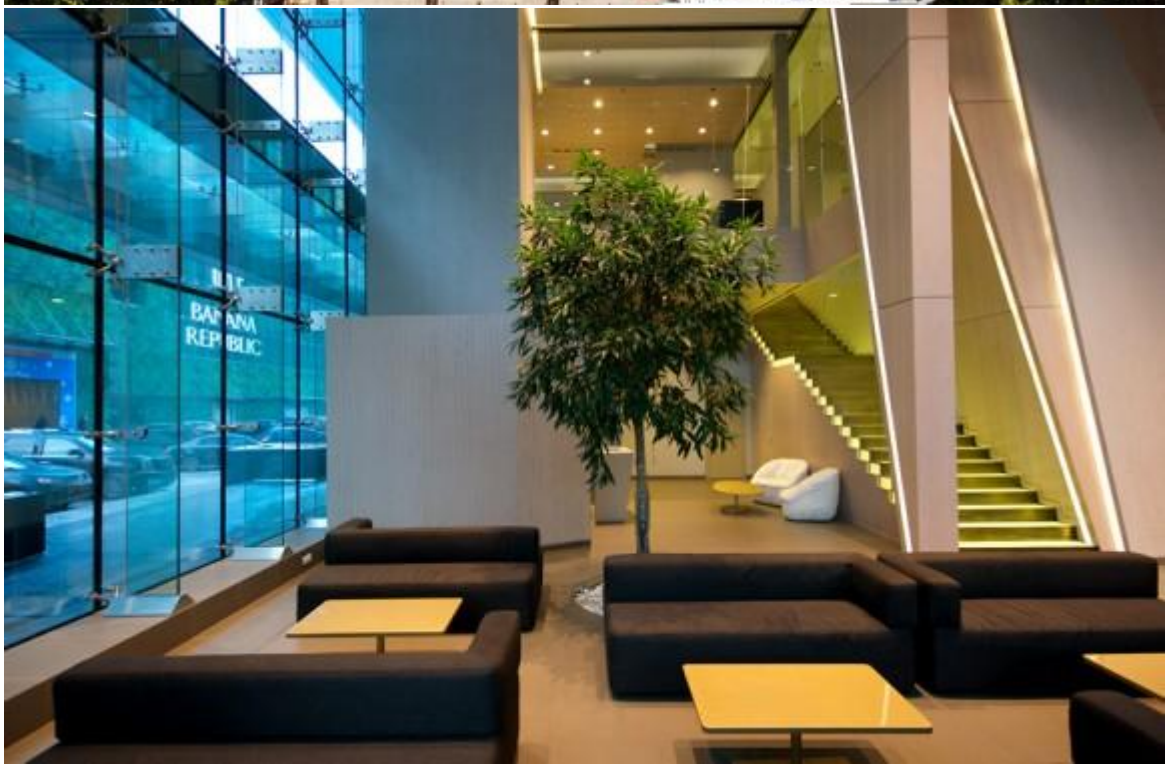
Source: http://rassvet-loft.ru/



Source: http://www.loftstudio8.ru/

Source: http://eng.st-nickolas.ru/

Source: http://gs.vespermoscow.com/apartments



Mombasa (Kenya)

Source: http://oceansevenkenya.com/

Mauritius

Source: http://www.carlosbay.mu/index-eng.html

Dubai
Source: http://www.damacproperties.com/en/project/projects/damac-towers-by-paramount.html

DAMAC TOWERS

Source: http://www.damacproperties.com/en/project/projects/damac-residenze.html

Source: http://www.damacproperties.com/en/project/projects/capital-bay.html

DAMAC

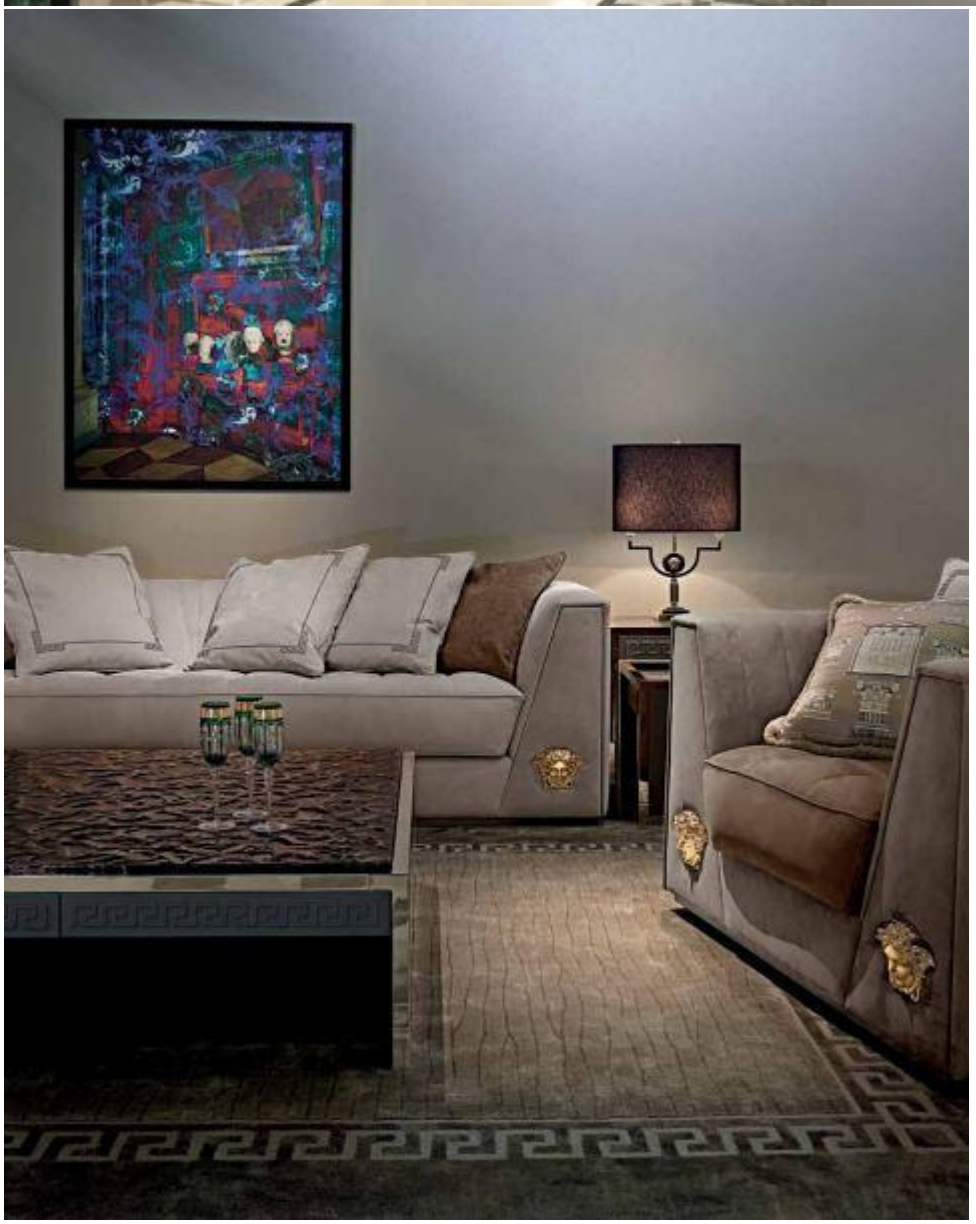
Source: http://www.d1tower.com/

Jeddah (Saudi Arabia)

Source: http://www.damacproperties.com/en/project/projects/damac-residences.html

Beirut

Source: http://www.damacproperties.com/en/project/projects/damac-tower.html



Bali

Source: http://www.seasentosa.com/

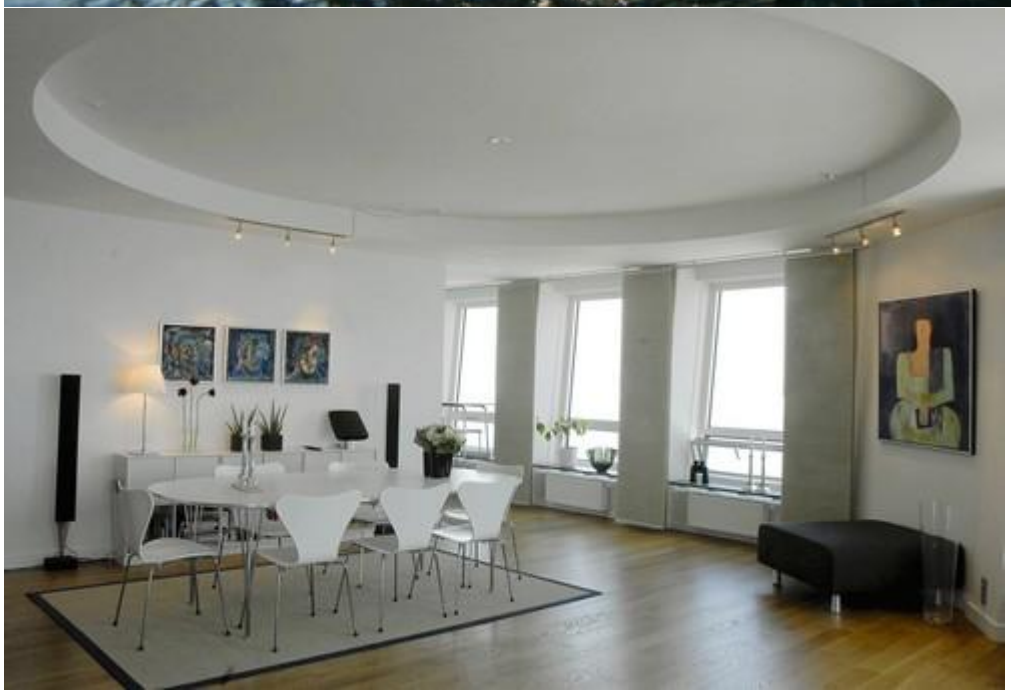
Bangalore

Source: http://www.brigadeexotica.com/

www.propertywala.com

Malmo (Sweden)

Source: http://www.turningtorso.se/



Buenos Aires

Source: http://www.torresrenoir.com/

Amsterdam
Source: http://www.mvrdv.nl/projects/wozoco/

Madrid
Source: http://www.mvrdv.nl/projects/mirador/

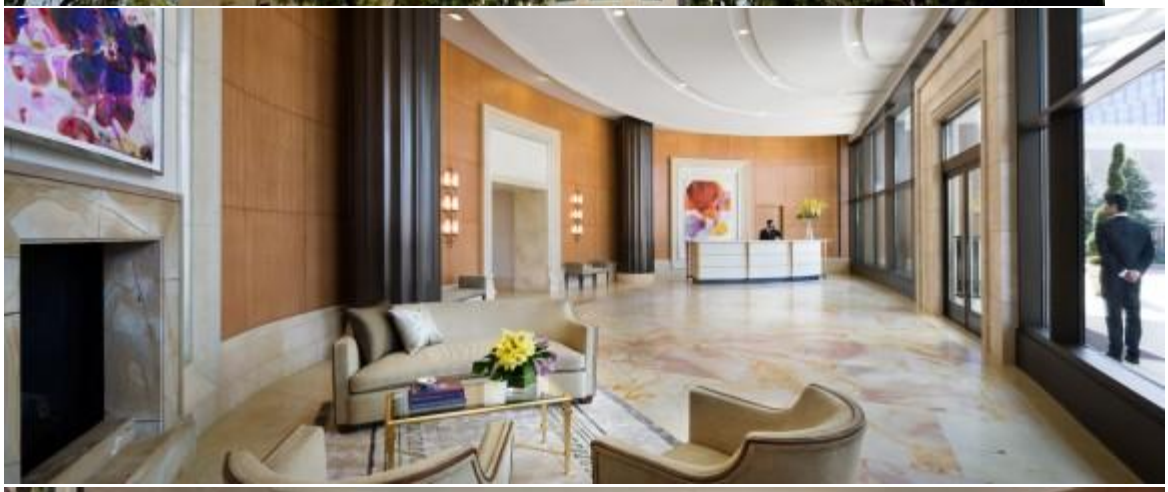
Paris

Source: http://www.nexity.fr/neuf/26__26012

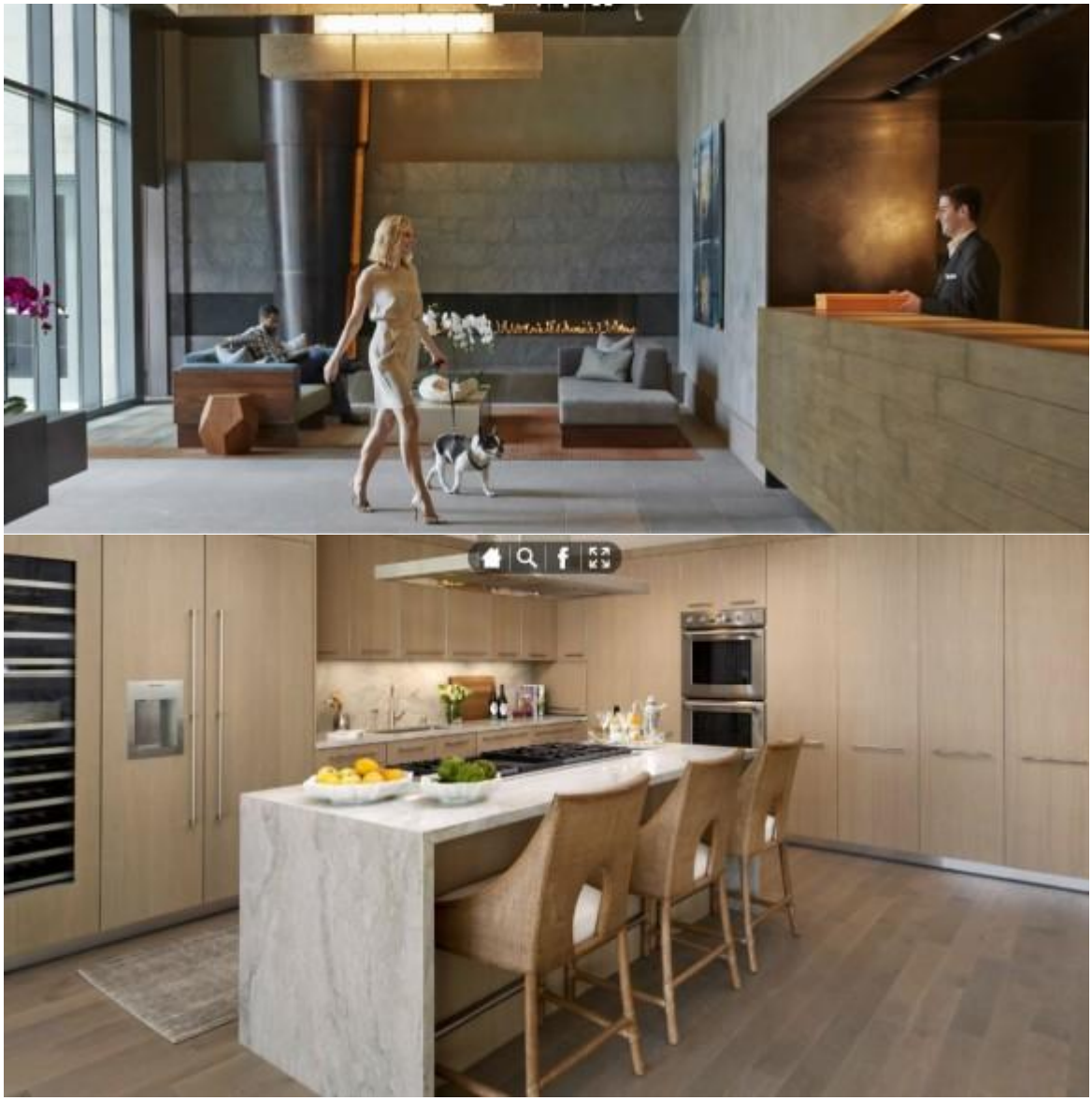
Dhaka (Bangladesh)
Source: http://www.archdaily.com/520947/ehl-premium-condominiums-_-kashef-chowdhury-urbana/ and http://www.easternhousing.com/

Los Angeles

Source: http://www.related.com/luxury-condominiums/los-angeles/the-century



Source: http://www.seychellesantamonica.com/



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Around the World in Eighty Projects October 14, 2014

Around the World in Eighty Projects

There is only so much going through NZS 3910 construction contract clauses that a man can take!

So for something far more interesting I present my real estate twist on the Jules Verne classic.

Where possible the images have been selected on a first impressions sales psychology basis; first impressions of the building architecture, as you step inside the lobby and then when you enter the residence and view key features such as the kitchen.

[*Around the World in Eighty Projects* Part One: The first 30 developments]

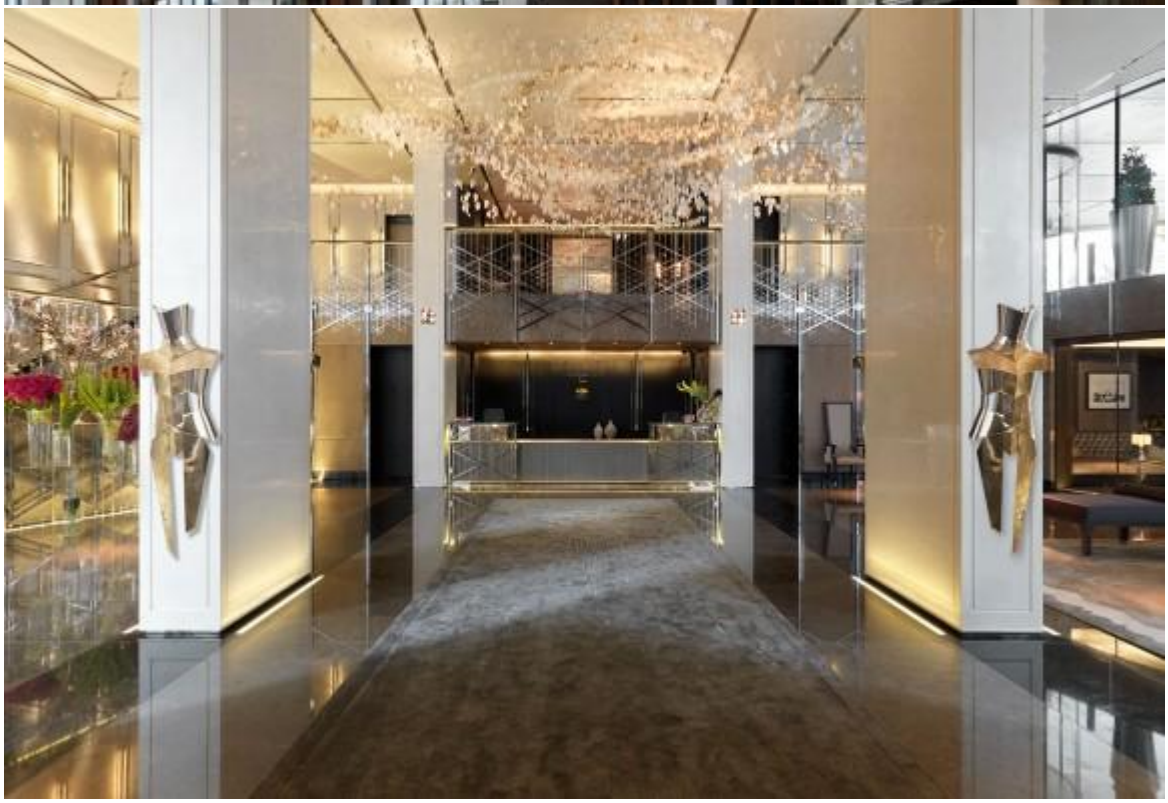
Monaco

Source: http://www.odeon.mc/#/home

London

Source: http://www.investinplc.com/development/south-bank-tower

Source: http://www.onehydepark.com/



New York City

Source: http://www.50westnyc.com/

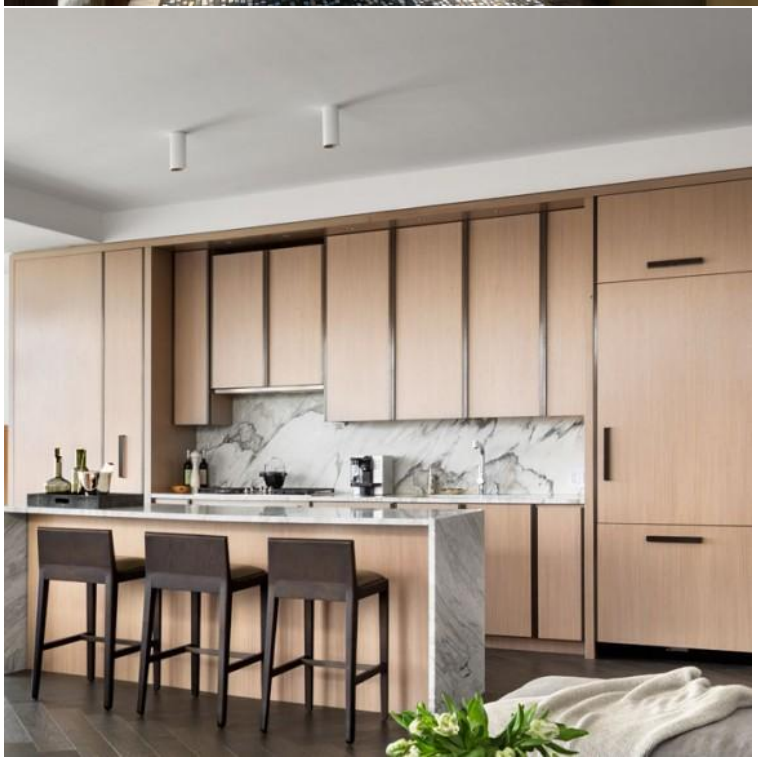
Source: http://www.onevandam.com/

Source: http://castironhouse.com/

Source: http://432parkavenue.com/

Source: http://www.one57.com/

Source: http://www.related.com/luxury-condominiums/nyc/one-madison



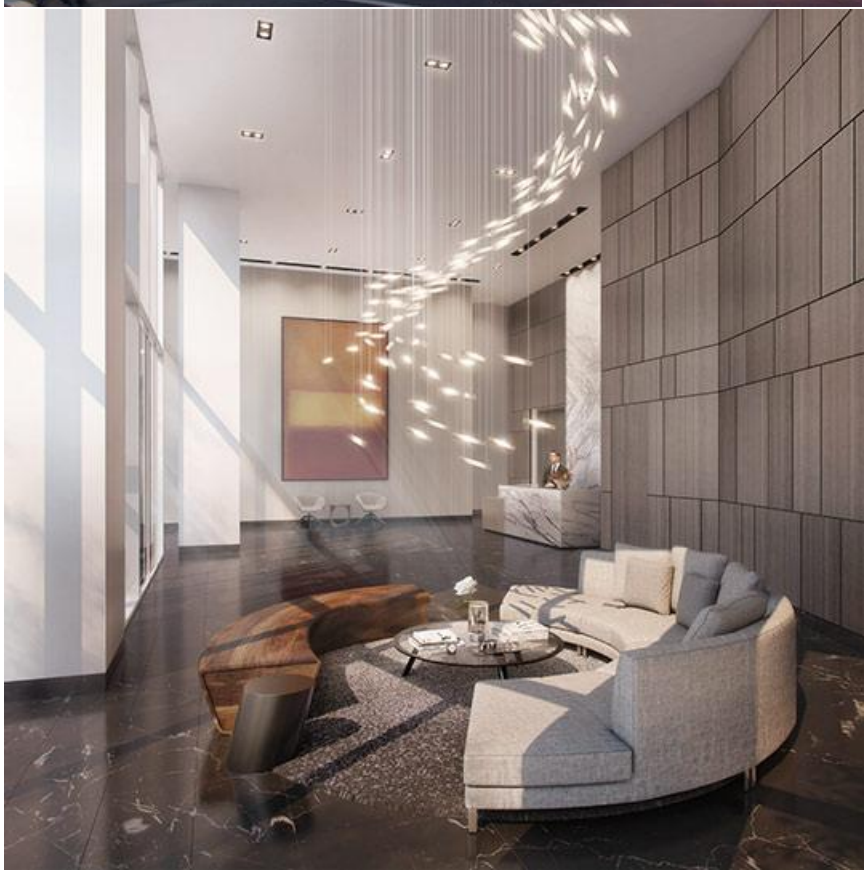
Source: http://56leonardtribeca.com/home/

Miami

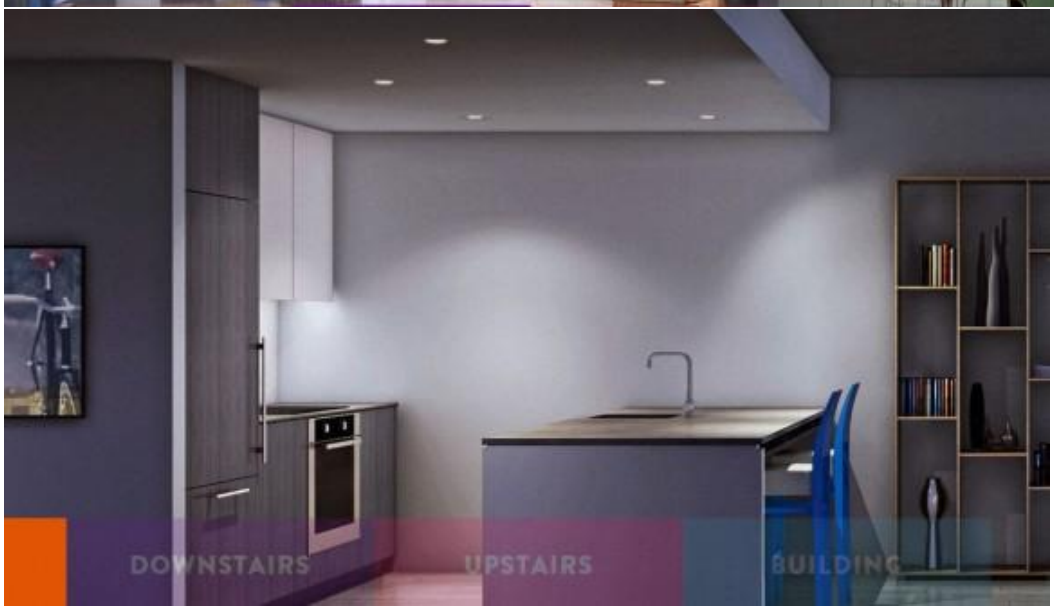
Source: http://1000museum.com/

San Francisco

Source: http://luminasf.com/



Source: www.vidasf.com



Source: http://www.lineasf.com/

Vancouver

Source: http://vancouverhouse.ca/

Source: http://www.telusgarden.com

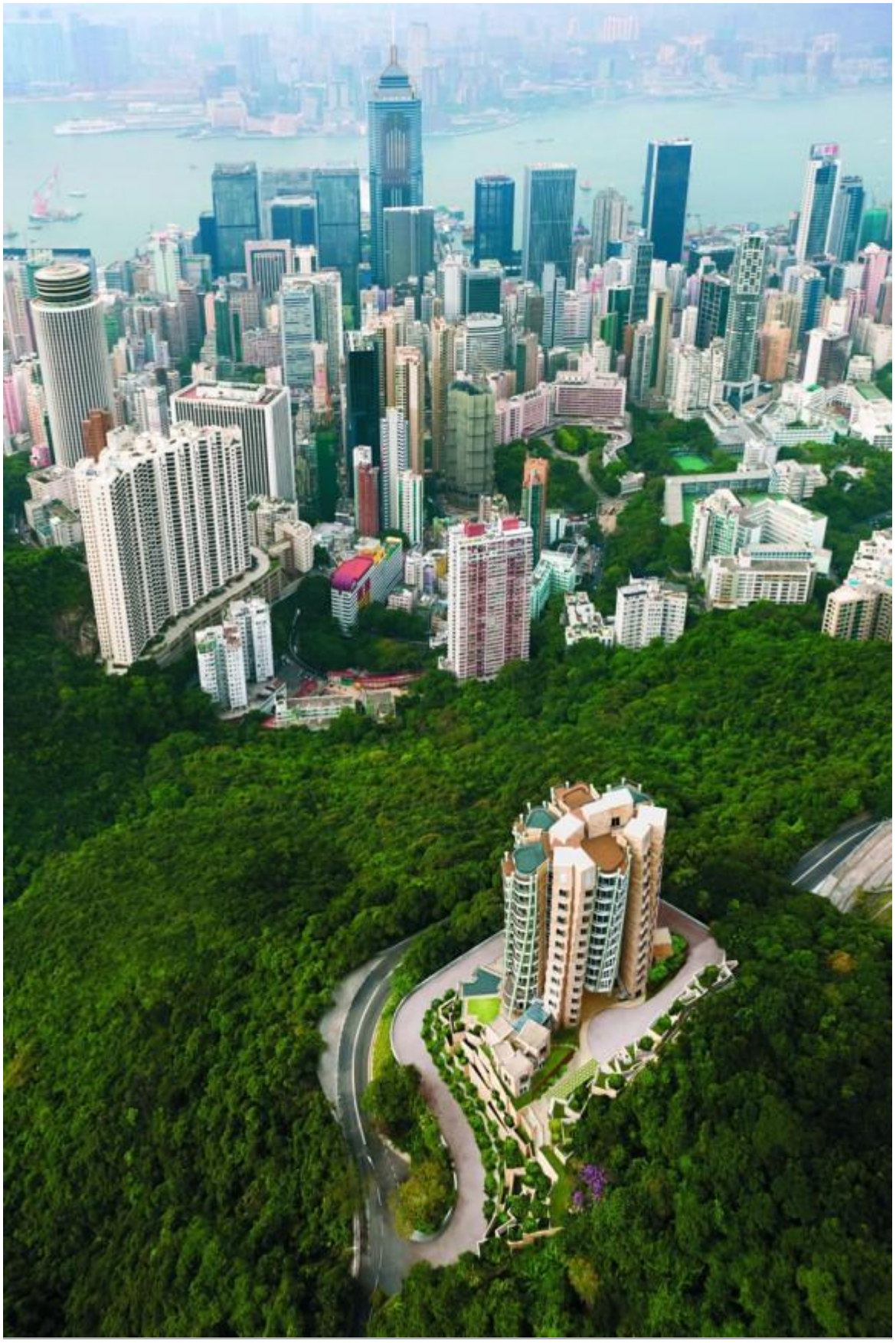
Source: http://henriquezpartners.com/work/oakridge-centre/

Source: http://www.apertureliving.com/

Source: http://www.focalonmain.com/

Hong Kong

Source: http://www.opushongkong.com/en/Home.html



Singapore

Source: http://www.clermont-residence.com/

Brisbane

Source: http://www.sunlandgroup.com.au/abian/

Source: http://thehighgate.com.au/

Source: http://www.botanicasb.com.au/

Sydney

Source: http://www.centralparksydney.com/live/sky

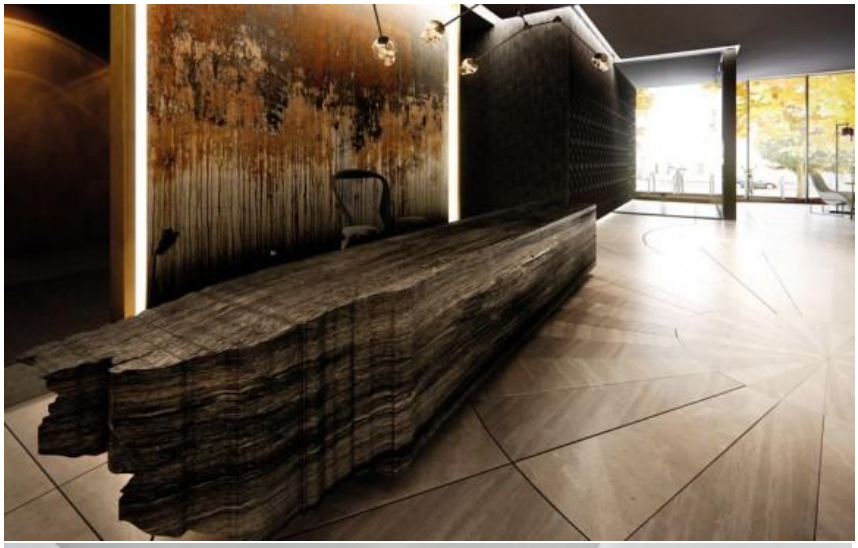
Source: http://radianceapartments.com.au/

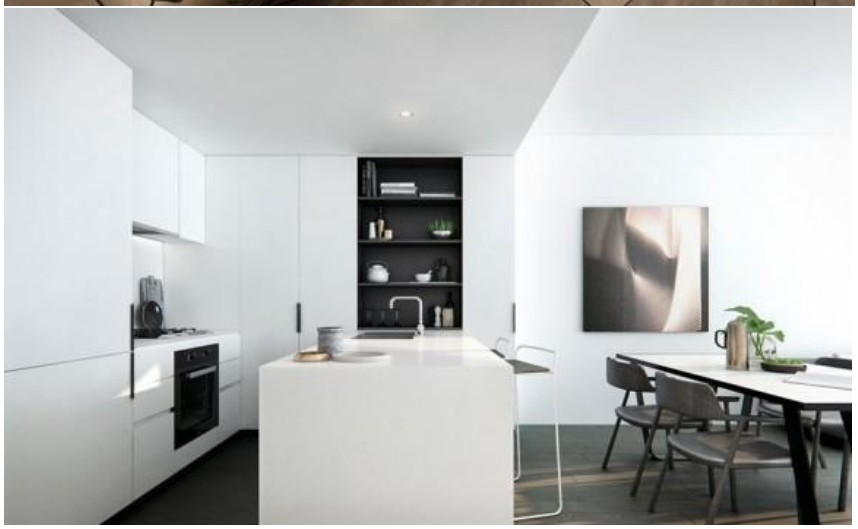
Source: http://www.cpmrealty.com.au/Developments/New-Developments/Detail.aspx?pid=815af3e5-45cf-42f1-8455-70fd9f30e00f

Melbourne

Source: http://www.southbankgrand.com.au/

Source: http://www.royalelizabeth.com.au/





Source: http://www.thefifthapartments.com.au/

To be continued … (50 more to go !)….

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How to be a Property Developer September 25, 2014

How to be a Property Developer

Over the weekend, as guest lecturer, I completed my second workshop in Property Development for Unitec final year students as part of their Bachelor of Construction Degree.

It is a very practical course – taught to predominantly existing construction and property professionals. Basically you learn how to approach a development project in the same way as I do in my day job.

What we work through together over the two day workshop includes:
– Site due-diligence
– Understand the local market, supply and demand
– Understand the zoning
– Draw up bulk and location options
– Create financial feasibilities
– Describe the most efficient delivery process
– Analyse the risks and how to mitigate them during land acquisition, consent, sales, leasing, financing, contracting and construction.
– Pull it all together in an investment and delivery proposal

Our first workshop considered a fringe CBD suburban apartment development in the new 'Terrace Home and Apartment Building' zone in Auckland, New Zealand.

The recent workshop looked at a mixed use retail, office and apartment development in the Auckland Central Business District – with a focus on the office component. This workshop was particularly interesting for me as I had to first spend a previous weekend learning all the CBD office development zoning rules !

For two days it is pretty intense including three group presentations by students. I was amazed at how much the groups managed to pull together in the time allotted. With fresh and unbiased thinking some great development concepts emerged for the sites.

This is a course to definitely consider if you work in construction, quantity surveying, project management, finance, planning or any other related discipline and would like to get a practical, real world overview of property development.

For more information about the course visit:
http://www.unitec.ac.nz/career-and-study-options/property-development/bachelor-of-construction-property-development

Alternatively, feel free to contact me and let's discuss.

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Knock knock August 31, 2014

Knock knock

I couldn't resist taking a photo of these full page adds running side by side in the latest Auckland Central Property Press. The real estate industry marketing theme of this week must be doors.

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Business Development for Commercial Interior Fitout Companies August 20, 2014

Business Development for Commercial Interior Fitout Companies

Another publication from the aenspire Executive Report series: Business Development for Commercial Fitout Companies.pdf

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Crowd Funding in Real Estate August 17, 2014

Crowd Funding in Real Estate

Crowd funding websites and the businesses behind them attempt to remove the middlemen and directly join developer and small scale equity investor.

Crowd funding in real estate development is really advancing. This disruptive innovation has significant implications for developers, financiers and real estate agents including investment marketers and proportional ownership schemes.

One person who has $1,000 to invest is unlikely to find an able and willing real estate developer to take that money, smoothly manage the process and provide an acceptable investment framework to (eventually and hopefully) pay a return on that equity. However, a crowd of small scale investors can create a substantial equity contribution and enough capital to warrant a managed investment environment to get projects off the ground.

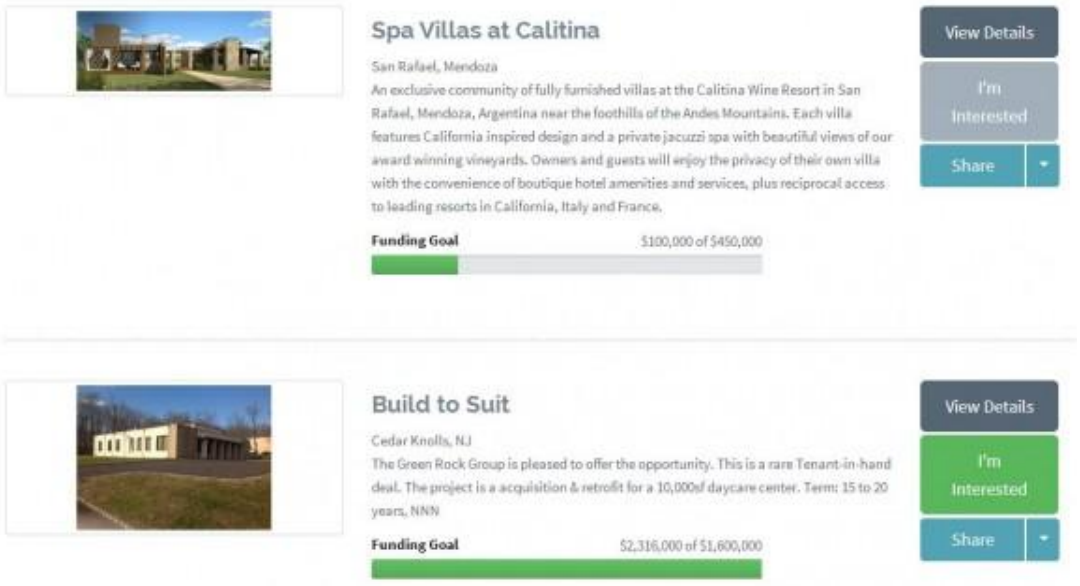
The risks and ramifications to the investor are high and it would appear to open up a legal minefield – especially as crowd funding crosses national borders. Disclosures (or lack of) and securities legislation immediately come to mind.

For the developer what is the true cost of this equity and can you sell your projects success (before you sell your projects products!), potentially to small scale investors around the world?

Perhaps you want to raise money to develop villas in Argentina (a tough sell) or a pre-leased childcare renovation project in New Jersey (oversubscribed!)?

Now, there is no need to go a mezzanine lender or find a wealthy silent partner.

You can simply ask the ‘crowd’!



Source: http://groundbreaker.co/deals

As we continue to explore crowd funding in real estate here are some articles of interest:

http://www.miamiherald.com/2014/07/06/4221997/developers-turn-to-crowdfunding.html
http://www.entrepreneur.com/article/232717
http://online.wsj.com/articles/real-estate-sector-moves-crowdfunding-beyond-the-trinkets-1402526777
http://www.forbes.com/sites/groupthink/2014/06/10/real-estate-crowdfunding-post-valuations-of-100m-for-series-a/

Here are some of the crowd funding players:

http://crowdbaron.com/
https://www.realtymogul.com/
https://www.tycoonre.com/for-dealmakers/
https://www.ifunding.co/asia/how-it-works-partners.php
https://fundrise.com/investing-with-fundrise
https://www.realtyshares.com/
https://www.propellr.com/how-it-works
http://groundbreaker.co/deals
http://www.openavenue.com/
http://www.crowdstreet.com/

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Down by the boardwalk, down by the sea August 10, 2014

Down by the boardwalk, down by the sea

Extending the waterfront development theme explored in Bridge over……is that really a bridge? and Luxury Waterfront Developments I take a snapshot at the interface between water, shoreline and built form.

Often some of the most memorable settings in a development are found at this juncture. They take their form as a functional boardwalk, jetty, dock, esplanade, promenade, wharf or pier.

However, when designed well they can become a destination, even art, in their own right amplifying the amenity of the star attraction – water.

Higher levels of amenity typically translate into higher value for developments that directly benefit – so there is often a case to invest a little imagination and some additional funds to get it looking spectacular !

Source: http://www.houzz.com/boardwalk/p/8

Source: http://www.archdaily.com/61529/benidorm-seafront-oab/

Source: http://design-milk.com/thai-ultimate-paradise-dusit-thani-maldives/

Source: http://www.archdaily.com/111635/toronto-central-waterfront-west-8-and-dtah/

Source: http://www.archdaily.com/445661/red-ribbon-park-turenscape/

Source: http://www.aecom.com/What+We+Do/Design+and+Planning/stories/In+Bengbu,

Source: http://www.contemporist.com/2010/11/25/the-dover-esplanade-by-tonkin-liu/

Source: http://www.aila.org.au/victoria/awards2009/st_kilda_promenade.htm

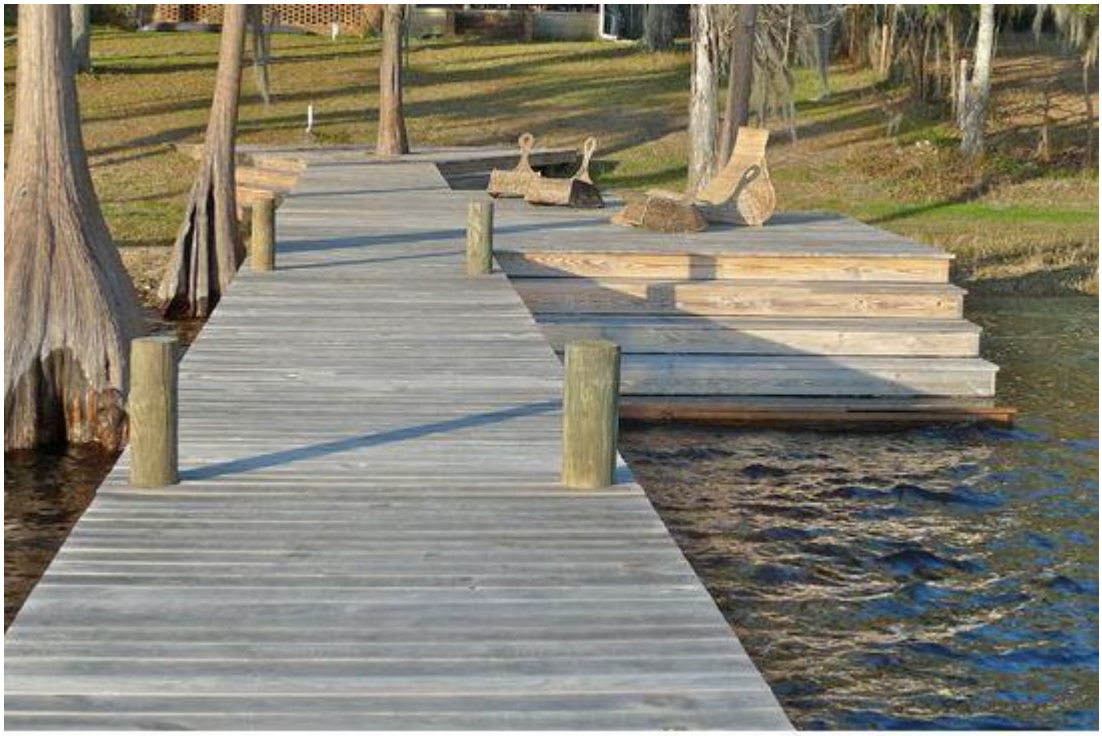
Source: http://www.un6.org/stud/2009/02/cdl-waaoaarch-daily-promenade-samuel-de-champlain/

Source: http://www.dezeen.com/2013/09/06/kalvebod-waves-by-jds-architects/

Source: http://www.dezeen.com/2014/04/14/wooden-viewing-platform-latvia-river-daugava-didzis-jaunzems-jaunromans-abele/

Source: http://www.dezeen.com/2014/07/24/dutch-fortress-floating-bridge-ro-ad/

Source: http://www.archdaily.com/349429/the-pier-kavakava-architects/



Source: http://www.houzz.com/jetty/p/32

Source: http://www.atlaspier.com/

Source: http://www.wickcraft.com/PierSystems.aspx

Source: http://www.gazlo.com/marketplace/walworth/businesses/austin-pier-svc-inc/features/5408/

Source: http://www.houzz.com/photos/3179791/1112-fb-guitar-pier.jpg

Source: http://handspringdesign.wordpress.com/habitat-jetty/

Source: http://www.houzz.com/jetty/p/24

Source: http://www.ikeadecor.com/architecture/umea-campus-park-by-thorbjorn-andersson.html

Source: http://www.houzz.com/jetty

Source: http://www.houzz.com/jetty/p/128

Source: http://www.houzz.com/pier

Source: http://www.dailytonic.com/big-rock-jetty-by-edward-szewczyk-associates-architects-au/

Source: http://www.houzz.com/jetty/p/112

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Bridge over……is that really a bridge? August 7, 2014

Bridge over……is that really a bridge?

During an earlier post on Luxury Waterfront Developments I began to think about those developments where you need to cross the water. That led me to research bridges and how they could add value in a master plan especially those for pedestrians and cyclists.

Santiago Calatrava is often known as the 'Starchitect' of designer bridges. I have been lucky enough to walk over a few of them including The Puente de la Mujer Bridge in Buenos Aires and the Ponte della Costituzione in Venice. I once contacted his office during an architect pre-selection process and was sent an exciting book of his best work. A Calatrava bridge, can act like a monument of modern infrastructural art. On its own it can bring international recognition to a development project.

Of course there are now plenty of other artistic contenders creating fantastic and sometimes illusionary or gravity defying structures. Plus there are a few retrofits of existing bridges.

In your development when you have to cross water (or a road, a train track or a gully) why not embrace this functional necessity with an architectural and often value adding bridging edifice?

The Puente de la Mujer Bridge

Source: http://www.calatrava.com/#/Selected works/Architecture/Buenos Aires?mode=english

Ponte della Costituzione

Source: http://www.calatrava.com/#/Selected works/Architecture/Venice?mode=english

Peace Bridge Calgary

Source: http://www.calatrava.com/#/Selected%20works/Architecture/Calgary?mode=english

Curves Peace Footbridge Lyon France

Source: http://www.designboom.com/architecture/dietmar-feichtinger-architectes-peace-footbridge-crossing-lyon-04-16-2014/

ölhafen Bridge Germany

Source: http://www.designboom.com/architecture/schneider-schumacher-olhafen-bridge-raunheim-03-31-2014/

Tube-shaped Bridge Salford Meadows

Source: http://www.designboom.com/architecture/jbmc-proposal-for-meadows-salford-bridge-10-09-2013

Festina Lente Sarajevo

Source: http://www.designboom.com/architecture/festina-lente-bridge-in-sarajevo/

Melkwegbridge Netherlands

Source: http://www.designboom.com/architecture/melkwegbridge/

Passerelle Pietonne Switzerland

Source: http://www.architonic.com/aisht/passerelle-pietonne-sur-la-route-h10-maison-d-art-chitecture/5100511

Moses Bridge Netherlands

Source: http://www.atlasobscura.com/places/moses-bridge-moat-fortress

Bridge of Flowers USA

Source: http://www.bridgeofflowersmass.org/gallery.html

Rolling Bridge London

Source: http://www.thedailybeast.com/galleries/2013/10/12/made-for-walking-the-world-s-most-aesthetic-footbridges-photos.html#904b55c6-42f4-496d-a338-69907f226477

Slinky Springs to Fame

Source: http://www.stylepark.com/en/architecture/pedestrian-bridge-by-tobias-rehberger-and-schlaich-bergermann-und-partner/325442

Leeuwarden Netherlands

Source: http://list25.com/25-of-the-worlds-most-unique-bridges/

Paddington, London

Source: http://www.dezeen.com/2014/09/30/merchant-square-moving-footbridge-knight-architects-paddington-london/

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Luxury Waterfront Developments August 6, 2014

Luxury Waterfront Developments

Just a quick selection of luxury waterfront developments. Places where location, amenity, quality and platinum collide…

Ritz Carlton Residences Miami

Source: http://www.theresidencesmiamibeach.com

8 Best Waterfront Developments in New York City

Source: http://www.newyork.com/articles/real-estate/8-best-waterfront-developments-in-new-york-city-42015/

Du Parc Geneva

Source: http://www.du-parc.ch/

Christophe Harbour St. Kitts

Source: http://www.christopheharbour.com/

Aquablu Montreal

Source: http://condosaquablu.com

321 Ocean Residences Miami Beach

Source: http://www.321oceanresidences.com/

Pier 27 Toronto

Source: http://waterlink.ca/

Iris Miami Beach

Source: http://www.irisonthebay.com/

Porsche Design Tower Miami

Source: http://investinmiami.com/porsche-design-tower/#.U-HyRvmSwcQ

Jade Signature Sunny Isles

Source: http://www.jadesignature.com/

3D Printing Houses in China – update on previous post July 31, 2014

3D Printing Houses in China – update on previous post

See how the Chinese are doing it now in this article on 3D printing houses in China

Read my previous post about the future of 3D Printing in Real Estate and Construction
28 January 2014 – 3D Print Yourself Everything – Including the Kitchen Sink

Now would everyone please put down their pens ..... May 29, 2014

Now would everyone please put down their pens .....

Unitec are at the forefront of property development education in New Zealand.
Why do I say that?

That's because I am privileged to be the one who will lecture this years Level 7 paper in property development to students in the Bachelor of Construction (Property Development) degree!

No, I am not giving up my day job to become a lecturer. This is an intense 4 day programme where I will bring much of what my day job entails into an interactive and exciting project based learning workshop for whom I imagine will be a bunch of very enthusiastic students.

I am excited. I would do it for free – Neil, just ignore that comment if you are reading this, as the contract is in the mail !

I am actually going to be lecturing rather than taking a winter vacation. Yes I concede there probably is no hope for me now but along with our families recent addition of a healthy 3.3kg girl, the vacation can wait.

Whilst my current focus is residential development I hope to mix this course up and look at a mixed use project – some res, some office, some retail, maybe a hotel. Really it will only limited to what the students come up with – and those slightly important Unitary Plan rules !

I am looking forward to this role and thank Neil, John and the Unitec Construction team for this chance to give something back to the industry.

For me this is also a personal learning opportunity that I will fully embrace.

Property Development (CONS7906): *To enable students to evaluate the property development process, using a project-based learning approach, focused through the production of a speculative project development submission.*

Property Development (CONS7906)

Level: 7

Credits: 15 (0.125 EFTS)

Compulsory: No

Aim: To enable students to evaluate the property development process, using a project-based learning approach, focused through the production of a speculative project development submission.

Pre-requisites / Co-requisites: Students must be admitted to the Bachelor of Construction programme or the Graduate Diploma in Construction Project Management to enrol in this course. Pre-requisites: For BCons: CONS6906. For GDCPM: CONS6718. Restriction for BCons: CONS7814.

Timetable: Choose your class for this course from the option(s) below. You will need to attend all the sessions in that class to complete the course. Where more than one class number is shown, choose one of them and attend all sessions within that class number. (Note: If a class is held in different locations at the same time, you only need to attend all the sessions in one of the locations.)

This timetable is valid for 2014. There are no classes on public holidays.

Class: 6711

FROM – TO	SESSION	DAY	TIME	CAMPUS (ROOM)
3 Jul 14 - 3 Jul 14	Lecture	Thursday	08:30 - 16:30	Mt Albert (114-4005)
4 Jul 14 - 4 Jul 14	Lecture	Friday	08:30 - 16:30	Mt Albert (114-4005)
19 Sep 14 - 19 Sep 14	Lecture	Friday	08:30 - 16:30	Mt Albert (114-4005)
20 Sep 14 - 20 Sep 14	Lecture	Saturday	08:30 - 16:30	Mt Albert (112-4009)

http://www.unitec.ac.nz/career-and-study-options/property-development/bachelor-of-construction-property-development

www.aenspire.com

Well, at my estate we have a .... April 22, 2014

Well, at my estate we have a ....

Developers across the world look for different ways that their residential estates can stand out from the competition. Plenty include golf courses, canals, ski facilities, lakes, marinas, walking trails and other amenity.

There are some developers though, that look for an illusive theme that will compel buyers to choose their project over another. Developers pushing the boundaries really embrace the saying "build it and they will come".

This can create some very interesting, early adopter (and sometimes disturbing) property developments.

Here are some examples:

Airpark Communities
Airpark communities range from the lavish (like John Travolta's pictured below) to the more modest and conveniently targeted for middle class plane enthusiasts. There are now hundreds of subdivisions around the world based on the 'hangar and home' concept.

Photo Source: www.fogonazos.es/2007/01/airparks-plane-in-your-garage.html

Airpark Community Links:
www.jumbolair.com
www.palmettoairplantation.com
www.bourlandestates.com
www.peachstateaero.com
www.soundsairpark.com
www.zandspruit.co.za
www.ostsee-airpark.com

www.mueritz-airpark.de

Equestrian Communities
Fancy having your your own stables or horses ready for you on demand and on site riding trails?

Equestrian Community Links:
www.equestrianlakes.com
www.cressey.com/highpoint

Aviation and Equestrian
Of course what is the point of flying home for the weekend without having access to your trusty stead?

Photo Source:
http://hiddenvalleyairpark.org/httpdocs/hva_photos.htm

Aviation and Equestrian Community Links:
www.eaglesranchestates.net
www.hiddenvalleyairpark.org

Waterski Communities
There are plenty of estates around the world positioned next to lakes both man-made and natural. However, living next door to a purpose built waterski course, in an estate for budding professional water skiers is an entirely different matter.

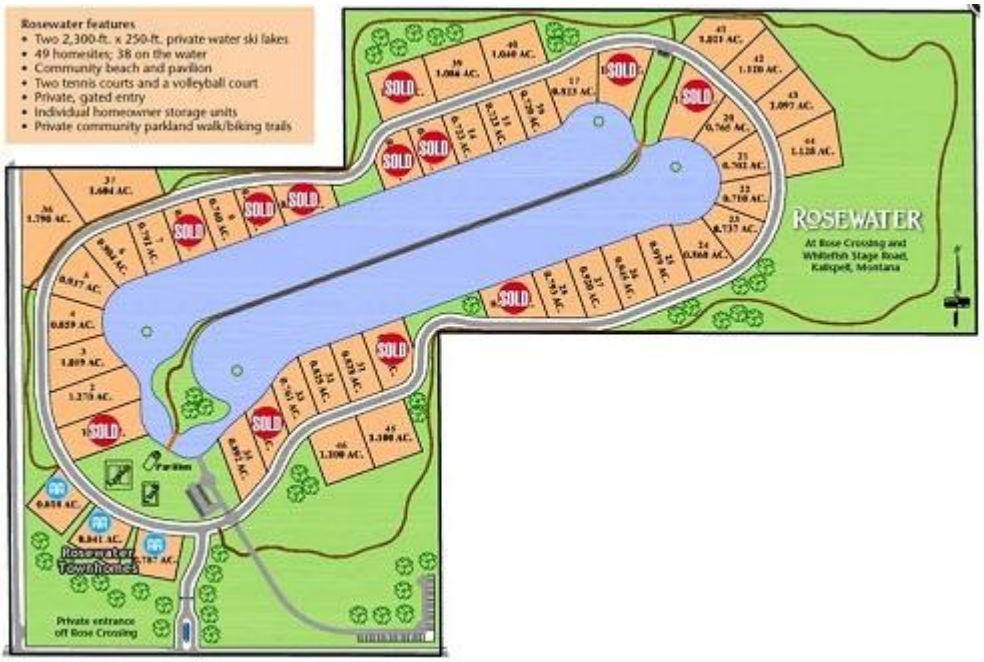


Photo Source: http://rosewaterski.com/

Waterski Community Links:
www.rosewaterski.com/

Motorsport Communities
Living next to a busy road is not typically a sales advantage, so what about living trackside?

Motorsport Community Links:
www.hamptondowns.com
www.autoblog.com//victory-lane-luxury-community-will-feature-on-site-road-course

Vineyards, Olives and Truffle Communities
Invite your friends over, sit back, take in the expansive view and break open a bottle or snack on your (at least your communities) very own vintage.

Vineyards, Olives, Truffles Links:
www.slaley.co.za
www.croydon-estate.co.za/
www.bradcorp.com.au
www.tearaiestate.co.nz

Farm Communities
There are estates where you can really get your hands dirty and some even come with a business related tax deduction. Some of these developments really just have token farms as a central attraction while others integrate all things organic and conservation – applying 'living off the land' eco principles.

Photo Source:
www.nytimes.com/2014/03/12/dining/farm-to-table-living-takes-root.html

Farm Community Links:
www.serosunfarms.com
www.kukuiula.com
www.agritopia.com
www.southvillage.com
www.willowsford.com
www.serenbecommunity.com

Rejuvenation Communities
Life in the city can be hectic, home is supposed to be a sanctuary. Why not embrace your rejuvenation to the fullest in a subdivision based on ancient relaxation?

Rejuvenation Links:
www.frangipanicountryestates.com

Petroglyphs
Ok the developer hardly was around to put these in thousands of years ago. Still the adjacent and accessible nation monument makes this subdivision somewhat unique.

Photo Source and Petroglyphs Links:
www.petroglyphestates.com

Faux Communities

Many developments borrow their design cues from the history of other countries. For example the American southwest is deluged in Tuscan inspired estates. However, for some developers nothing less than carbon copies will do in the ironic and often absurd attempt to 'be different'. Yes in these examples we are talking about purpose built residential communities – where people actually buy and live – that makes it a lot different to the pimped up Vegas theme resorts.

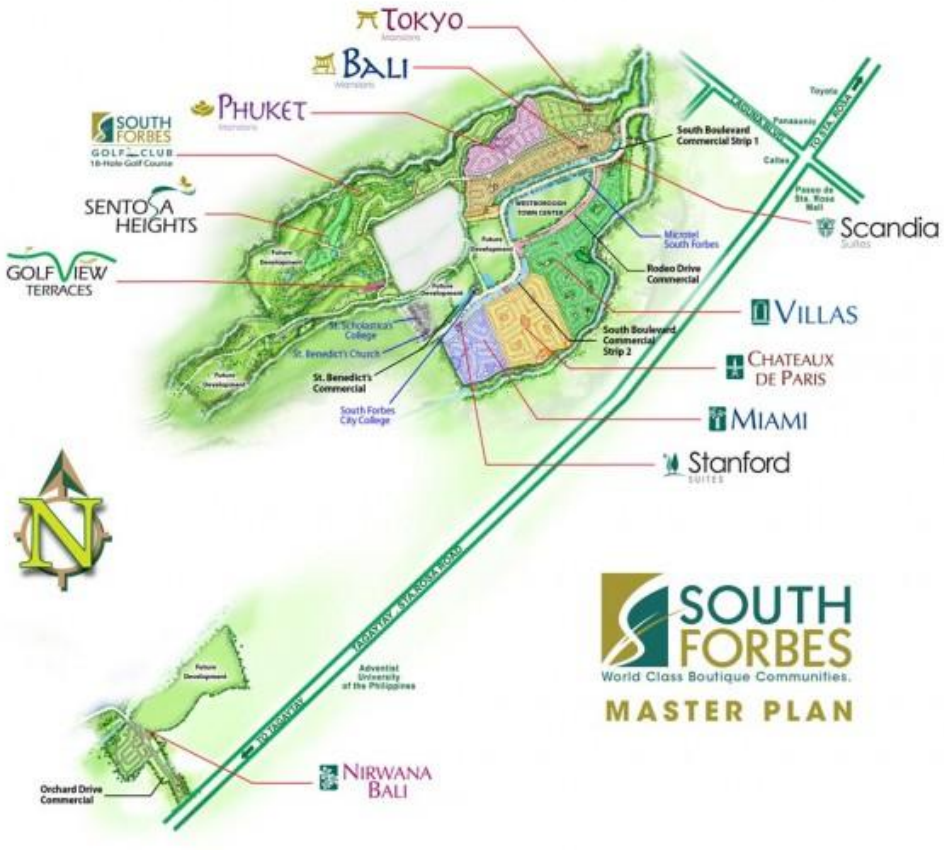


Photo Source:
http://www.southforbes.com/sta-rosa-laguna-silang-cavite-tagaytay-real-estate.php

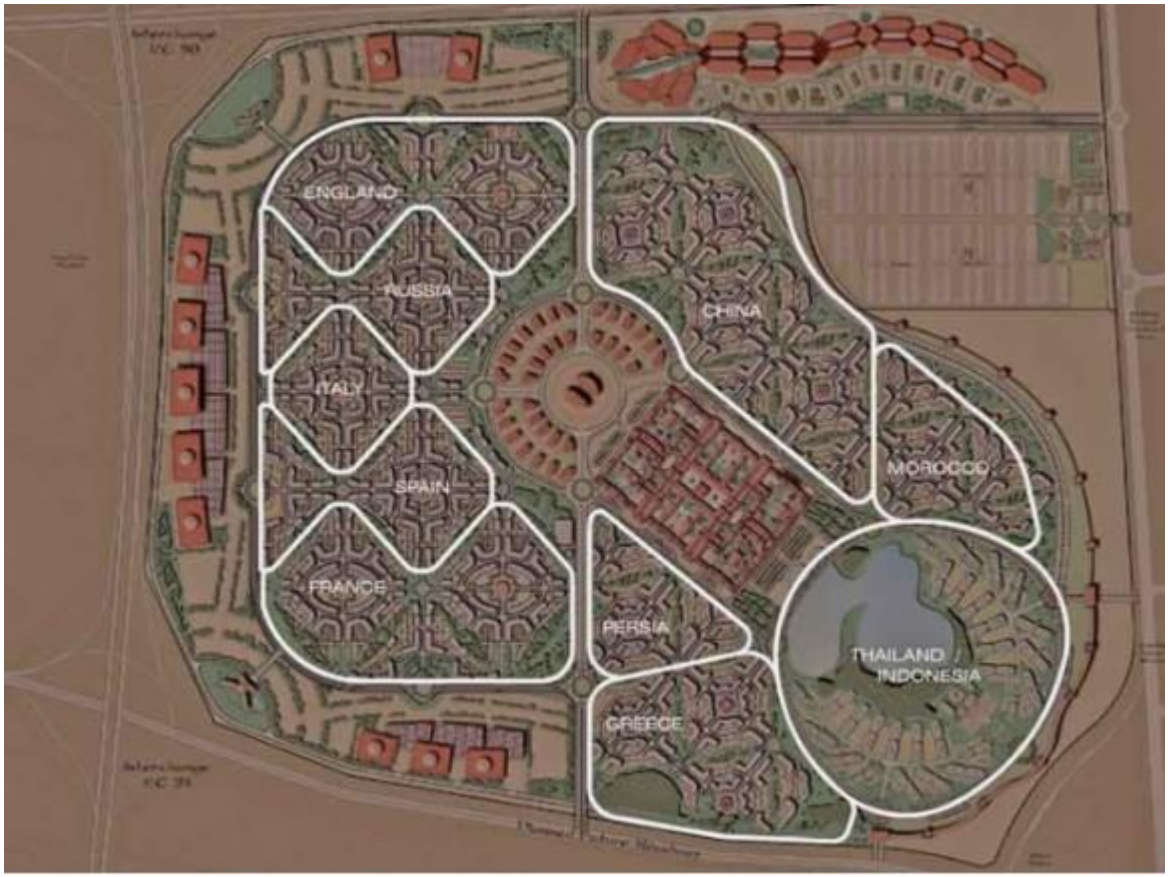


Photo Source: http://www.internationalcity-dubai.com/about-international-city-dubai.html

Photo Source: http://io9.com/the-bizarre-copycat-architecture-of-china-455672655

Faux Community Links:
Thames Town
Sky City (Paris)
Chinese mimicry

www.coralgables.com
www.internationalcity-dubai.com
www.southforbes.com
Gurgaon

Occasionally a replica works well:
Pomander-Walk New York

Disney and Theme Park Communities
Whilst Disney is a developer in its own right, there are also others tapping into the Disney experience to sell homes. In addition other theme park based residential subdivisions are starting to make an impact as this Wharton article describes.

Photo Source: http://www.prestigeconstructions.com/lakeside-habitat/overview.php

Disney and Theme Park Community Links:
www.disneygoldenoak.com
www.thecounty.in
www.prestigeconstructions.com
www.bharatestates.com

Marina Communities

There is nothing particularly unique anymore about the idea of a marina accompanied with residential development, nor canals with berths attached to each lot. Evenso, this article would probably not be complete without some examples as developers worldwide push the integration of waterways, marinas and housing.

Photo Source: www.opp-connect.com/09/12/2013/belize-marina-development-excites-us-investors/

Marina Links:
www.marinavillagefiji.com/
www.marsdencove.co.nz/
belize-marina-development-excites-us-investors
www.undinebay.com/Map.php
www.labalisemarina.com/en/project/vision.aspx
www.thewavemuscat.com/en/general/masterplan
www.edenisland.sc/Marina/island-marina.html

Gated Communities

Just putting a gate at the entrance to a development can create exclusivity as well as security. There are thousands of gated communities – some with a unique style, a special combination of amenities or simply a big price tag to call home.

Photo Source: http://www.therichest.com/expensive-lifestyle/15-gated-communities-that-attract-the-rich-and-famous/14/

View some of the more exclusive gated communities here:
www.realestate.msn.com
www.forbes.com/americas-most-exclusive-gated-communities/
www.therichest.com/15-gated-communities-that-attract-the-rich-and-famous/

[Note many links have been truncated so click on the link to view rather than cut and paste the web address]

www.aenspire.com

Cognitive Analytics: Application to Property April 16, 2014

Cognitive Analytics: Application to Property

Cognitive Analytics is an area to keep an eye on in the data rich (even data overloaded), property industry.

"Artificial intelligence, machine learning, and natural language processing have moved from experimental concepts to potential business disruptors – harnessing internet speed, cloud scale, and adaptive mastery of business processes to drive insights that aid real-time decision making.

For organisations that want to improve their ability to sense and respond, cognitive analytics can be a powerful way to bridge the gap between the intent of big data and the reality of practical decision making."

Read the full Deloitte article on Cognitive Analytics

Imagine being able to access your business data and isolate options and recommendations for your property decisions in real time.

Think of how you use Google now to find a hotel versus what you used to 15 years ago. Now apply that instant information access to your business data and external environment to make faster and more accurate decisions on opportunities and implement efficient real time sense and respond actions.

There will be a period of time, perhaps a few years where those who embrace this technology will benefit over the market in general in their property decisions.

It is likely facilities and asset management operational decisions will be the first to benefit as they require data rich scenario analysis and often require quick effective decisions when there are operational problems .

Property investment decisions may follow. Although you can set business rules it is often difficult to isolate the best potential options at the best potential cost in the market place, especially when business and market variables are in flux. Consider for example if at the auction the price is rising every 30 seconds and your due-diligence may have miscalculated the market reaction and you want real time decision support to push your bid higher (or not!).

Property development, a much more subjective 'science' could be one of the last areas to benefit. However, information, risk analysis and the ability to read a situation and find associations and trends are key to an intuitive property developer – imagine where a lot of this can be provided in real time by cognitive analytics as you assess potential acquisition sites.

Over time the entire market will catch up, cognitive analytic systems will become the norm and any future competitive advantage will be marginal. Until then I can see some significant breakthroughs for early mover cognitive analytics in the property industry.

This post will be updated as practical applications to property in this new field are sourced and researched.

Deloitte article on Cognitive Analytics

Innovation in Property Development – The Goose that Laid the Golden Egg March 30, 2014

Innovation in Property Development – The Goose that Laid the Golden Egg

During the early days of the New Zealand leaky building crisis I used to spout this throwaway comment: *"Man has been building houses for over 2000 years and it's only now we have learned how to really stuff them up – so much for innovation"*

In a persistent 16 year search to innovate in property development, to do things differently, to embrace change, to improve upon the status quo and to think outside the square/box/boundaries/whatever I have reached a cynical crossroads:

I have grown sick of the word 'innovation'.

Alongside one of the most overused terms in the property industry you can add to my list of disdain these words:
– demonstration
– pilot
– exemplar
– bluesky thinking
– leading edge
– cutting edge
– pioneering

Why, you ask, would I be sick of innovation?

Could this be the result from a lack of success with innovation ? Probably – I haven't picked up a Forbes magazine lately but I can assure you I'm not on the cover.

Could this be jealousy of those who truly can innovate and profit hansonely from it? More than likely – last time I looked at my share broking account, I didn't see my name listed as a founding director of Google or Facebook.

Do I have high expectations of what innovation actually is? Maybe. I see true innovation as a bar set very high that will deliver impressive results. That could be my problem. However, my problem is exacerbated by how innovation is touted by many in the wider market.

In my experience, all too often 'innovation' is used to describe a situation where from the status quo, one will make a massive leap forward, seemingly overnight. The expectation is that significant problems will have been resolved and massive benefits conferred – just like that.

Many times this expectation arises when those outside of an industry make demands of those within industry without a grip on reality (I mean industry complexities) and their *modus operandi* is instant gratification (I mean above market and upfront profits).

Whilst solving through innovation is a noble pursuit, there is real risk in thinking of innovation as the goose that will lay the golden egg. There are simple analogies with gambling. Rather than investing in a slow growth investment account from the age of 30, you wait until you are 60 go to Vegas and put your life savings on red. That's fine if you understand and accept the risk, but if you conveniently ignore the risk aspect you can set yourself up for spectacular failure.

Let me illustrate via some charts.

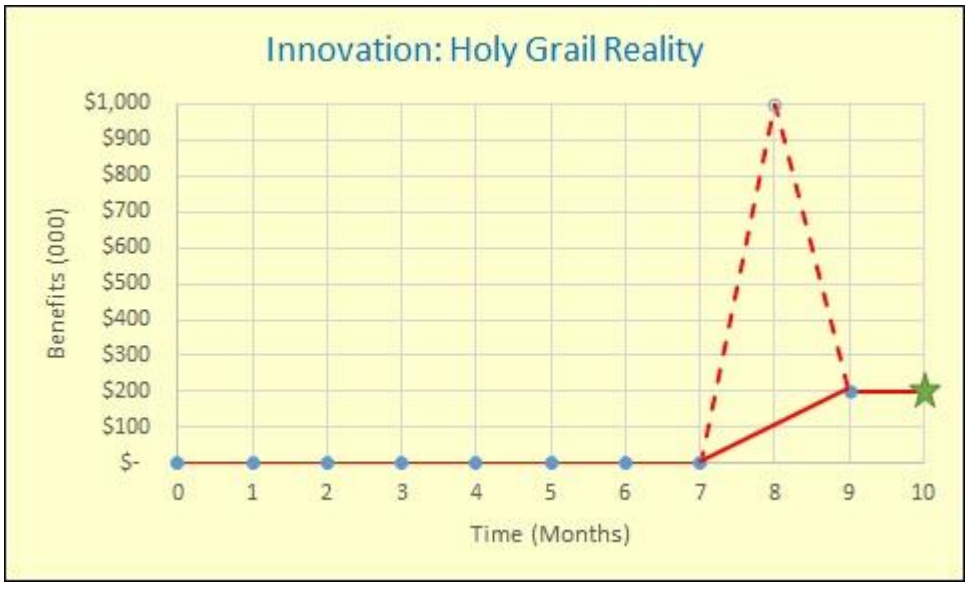
Assume we have a target to increase benefits by $1,000,000 over 10 months. The green star is the target and the red line our progress in reaching that target. A dashed red line indicates a route anticipated but not taken.

To reach this target we are going to innovate, be innovative and create sublime innovation. I will call soley innovating to meet this target the 'holy grail expectation' as represented by Chart One.

Chart One

With a large focus on simply being innovative to meet such an ambitious target, the risk of achieving the target through using innovation alone can easily result in what is depicted in Chart Two. That is a spectacular failure to come close to the target set. Worse, no improvement may be practically found, the resource wasted and the exercise undertaken rendered completely futile. This is the likely reality of trying to finding the goose that lays a golden egg.

Chart Two



So innovation is risky, but why shouldn't you try? Why do attempts to be innovative, especially in something as pratical as the construction sector often fail? I argue that if you devote resources to finding a golden egg innovation solution you run a real risk of not only not getting no where near your target but also run the risk of going backwards on your core bread and butter competencies.

I have seen it many times now. Resource is so focused on finding the holy grail of a solution that the potentially much more productive exercise of simply improving the day to day operations takes a back seat.

There is a saying in project management for Privately Financed Infrastructure Initiatives (at least by the World Bank) that "risks should be allocated to those best placed to manage them".

Beckers, Chiara, Flesch, Maly, Silva and Stegemann, *McKinsey Working Papers on Risk, Number 52 A risk-management approach to a successful infrastructure project initiation, financing, and execution*, November 2013, explain in terms of risk ownership and strategy:

" a conscious optimization effort to protect and create value by allocating risks to the best risk owners across the life cycle, including an explicit reflection of the respective risk appetite of these risk owners, for example, private financiers"

The attempt to be innovative introduces real risk to property development (as if it wasn't risky enough). The risks include construction product and installation failure, innovation causing conflicting and unclear objectives, prolonged programmes and project failures especially when promises are broken based on unrealistic risk adjusted expectations.

I would like to rephrase the allocation of risk statements to make it applicable to our intent to be all things innovative:
"the work of innovation should be allocated to those best placed to find it "

For everyone else, concentrate on your your day job!

Chart Three re-frames the all-in innovative holy grail approach to a more gradual but consistent approach to meet our ambitious target. Borrowing from the Japanese principle of Kaizen made famous by The Toyota Way this approach is simple: look for and implement continuous improvement.

Put another way, just find ways to do your day job better!

Chart Three

Improve productivity, gain upfront clarity over client needs, better planning, better design, better project management, more efficient procurement, great communication, strong contractual relationships and getting it right the first time. All those basic things will over time and over all the clients, consultants, contractors and other parties involved in a development project contribute greatly.

For example:
– Whilst many are looking for the most innovative modular technique that will supposedly supplant site built construction why not focus on getting your design and variation management process in check?
– Whilst others look at the plethora of innovation during the risk transfer approach in Private Public Partnerships, why not see how you can get your funding down 50 basis points?
– When subcontractors are running to the next building project for an extra $5 per hour, why not look at a long term reward mechanism to keep them on your projects now and in the future.
– Consider the simple act of communication, as a client are you always clear in what you are asking for? Clarity can control cost.
– Is your organisation focused on the day to day tasks at hand for a project and is there sufficient protection for the project doers from the non-project talkers? Being more focused means more attention to detail, provides for proactive rather than reactive risk control and better deadline performance.

Get the simple things right first. Be innovative on the details, starting in your own back yard. You might reach your target without having to take a spin on the roulette wheel.

Once you have the day job under control with gradual but consistent improvement then, only with dedicated specialist resource, feel free to really take a look at innovative ways to make leaps in advancement. If your innovative goose does manage to lay a golden egg then as shown in Chart Four you will be all the better off.

Chart Four

Whilst still a little nauseous over the misuse of 'innovation' just writing about it has spurred me to divert my attention and look at some innovative ideas!

Oh well…old habits die hard and human psychology can take a powerful hold when it is in your bones to find that golden egg laying goose.

Cheers

Andrew Crosby

Surplus Asset Strategies (SAS) – Part Two: Permanent Disposal March 17, 2014

Surplus Asset Strategies (SAS) – Part Two: Permanent Disposal

A crack specialist property team is enlisted to realise revenue from surplus property assets. Rather than a pure sales spree, management is encouraged to maximise value strategically. The rolling meadows of the idea can turn into a serious mountain climb without a well conceived and implemented Surplus Asset Strategy (SAS).

For business owners, government agencies, transport and infrastructure providers the real property assets owned may not be being fully utilised as part of business operations. Entire parcels of land or portions of a site may be surplus to requirements. In turn, this can present opportunities to raise additional cash by strategic divestment and redevelopment.

There are two fundamental decisions to be made regarding permanently surplus property assets:
– What are they?
– How to get the most value when disposing them?

What are the surplus property assets?
A companies asset management strategy informs management as to the assets required to operate the business over the short, medium and long term. It converts the objectives of the business strategic plan via asset management policy into a high-level, long-term action plan for the asset portfolio – including real estate assets.
Each property within the portfolio should have its own tactical asset management plan in order to support operations. Asset management plans typically include lifecycle budgets for planned maintenance and capital replacement, look at the age and condition of properties, their 'fitness for purpose', book and market values and how they perform in relation to industry benchmarks and the overall asset portfolio.

Good asset management plans take a look at how efficient the real estate is being used to deliver business operations. They look at optimisation solutions to determine if and what real estate is surplus to current and forecast operational demand. This is especially important when the asset is being used in a complex manner. For example it is often fairly simple to know if you have too much office space – the unused floor space will be all too apparent, however it is much more difficult where the operation is complex like a manufacturing plant or the use is for public amenity.

The best optimisation solutions come from looking at how the business operates in regards to the underlying real estate in the context of the changing real estate market.

This level of analysis typically requires external specialist property advice to assist asset managers to determine how surplus or not a real estate asset really is.

Each business obviously uses the real estate it owns in different ways – as different as the business themselves. Determining if there is surplus real estate will typically involve many stakeholders within the business and they will provide conflicting view points because a change to the real estate asset base may affect their area of influence.

To illustrate, lets say an Australian timber company operates 10 yards in their national portfolio. The Sydney yard operates on 10,000m2 of land whereas the portfolio average is 8,000m2. On the face of it the asset manager believes there is potential to downsize the 10,000m2 yard to 8,000m2 without affecting current and forecast revenue.

Before the asset manager engages with real estate expertise to assist her decision she convenes all the internal stakeholders to present their views:
– The local general manager, says he cannot possibly reduce the site size, they have always been 10,000m2 and look how full the yard is. If we reduce the size of the yard, everyone will be falling over each other and we will not be able to stock enough product.
– The PR department say, this is not a good look to downsize – it will send a signal to our customers that we are somewhat withdrawing from the Sydney market, this could impact on our reputation nationally.
– The finance department are very interested in realising a site size reduction, according to them this will reduce operating expenses by 10%, and can realise much needed cash to help service nationwide expansion into the provincial towns. However, they caution that they need at achieve at least 20% of the Net Book Value upon sale, otherwise a write down will occur and affect their balance sheet.
– HQ marketing and demand analysts caution whilst the current asset management strategy supports asset optimisation they are currently working on a new product line that would ideally need 500 to 1,000m2 of additional space to each store.
– Floor staff advise there is no way you can do that as that will probably mean narrower isles and that would leave no room for forklifts. Some staff voice their concerns that they do not want to lose car parking at the rear of the site.

Even on something as simple as a timber yard reducing its footprint can raise a myriad of issues and internal anxieties that will need to be resolved. In businesses with complex operational requirements the potential issues can multiply exponentially.

Surplus asset decisions for entities delivering public services can solicit extreme viewpoints (think judges influencing court buildings and doctors on hospitals). Reaching a decision to optimise these real estate assets is all the more difficult with strong vested stakeholder influences and potential political interference.

Therefore, a clearly formed Surplus Asset Strategy with top level management buy-in, a robust governance structure and detailed clear decision making criteria, all upfront, is very important. If high level analysis has already been undertaken then a target range of expectation can further clarify and incentivise decisions moving forward – for example reduce real estate holdings by 20% and unlock $50M in capital whilst maintaining 95% existing operational performance.

It is important the project governance group specify the ‘rules of the game’ in advance of trying to implement the SAS. You do not want to have to bring a potential solution to top management

to have it rebuked because it does meet an unforeseen business restriction – whether it is opinion or structural.

Going back to our timber yard asset manager....
With all the internal viewpoints in hand the asset manager digs deeper. She benchmarks the property against the Sydney wide peers and finds that the average size of similar timber yard operations with similar revenue and stock levels is 7,000m2. Visiting competing stores she finds timber packed 6 shelves high, compared to only 4 shelves high at her store.

This has the potential reduce at least 1,000m2 in her store and still provide room for some of the new product if it ever does eventuate. PR are happy that they can spin the reconfigured store as still being larger than the industry benchmark. The GM is happy as in order to achieve 6 pallets high, he gets to trade in smaller forklifts for the latest high reach modern models. Everyone agrees they need to retain parking.

Further property advice shows not only is the value of the land exceed the book value by a considerable amount (appeasing the accountants) but also there may be potential to realise air-rights over the car-park at the back, which adjoins a medium density residential street. This could effectively free up another 1,000m2 of surplus asset.

The asset manager has a strong case that there is a total 2,000m2 of surplus real estate and she believes she has met all the criteria pre-agreed in the SAS.

The surplus asset project governance board agrees. Now they ask
"What are you going to do with it?"

How to maximise value when disposing surplus real estate assets
There are three key outputs to a Surplus Asset Strategy that will inform disposal implementation:
1. Register of surplus assets (the pipeline)
2. Prioritisation
3. Disposal options

These three key outputs are inter-related and somewhat inform each other and therefore require an element of iterative analysis. Keeping as many variables constant as possible (through the SAS project governance board) once decisions have been made is critical to enable successful implementation.

1. The first key output of the SAS is a register or pipeline of all surplus real estate assets at a particular point in time. The point in time is critical, as in an ever changing business environment what is surplus today may not be surplus tomorrow, and what isn't forecast to be surplus this year may end up being surplus next year.

In addition, just because a real estate asset is surplus, does not mean there is a viable opportunity *yet* to realise value for a whole plethora of reasons:

– Planning rules restricting subdivision
– Planning rules restricting alternative uses
– Site needs decontamination
– Not sufficient market demand (air-rights are a little different if our timber yard is on the outskirts of Tamworth, rather than inner Sydney)
– Can't get access to the surplus real estate (landlocked)
– Book value higher than market value (help and a psychologist needed to tackle this one)
– Restrictions on what the asset can be eventually used for (prevalent in public sector, but also you may not want to give competitors any opportunities if they are a likely current buyer)
– Neighboring property or community issues
A good SAS structures a clear process to deal with changing asset issues over time and can be updated accordingly. You want to know when a business or market trigger makes disposal more or less attractive.

2. The second key output of the SAS is to prioritise. One practical way to rank the priority of assets for a large and complex organisation is to use a layered filter system. That is you take the total list of surplus assets and apply the most important filter first, and then the second most and so on. The assets that meet the most filters go to the top of the list. This can also be used for some businesses to help identify which real estate is surplus in the first place. Having the filters and their cut-off metrics pre-approved as part of the SAS governance is important.

As an example in the timber yard business the first filter may be the 'condition of the property' and the metric to measure against maybe 'forecast maintenance liability greater than $50,000'. The second filter maybe 'PR risk' and the metric to measure against 'High, Medium, Low'.

The priority ranking assigned to each surplus real estate asset will be informed by a number of factors (potential filters):
– Absolute realisable value potential (focus resource on the big prizes first)
– Forecast maintenance and operating liability (old, poorly maintained, expensive to run properties)
– Public relations risk
– Political risk
– Ease/cost/time to transform and move operations to enable surplus asset to be disposed
– Management resource liability (how much time will this asset take from senior management)
– Planning and consenting duration
– Market demand
– Disposal option risk
– Disposal option resources (human + capital) required
– Timing in relation to financial year
– Tax implications

The ranking may be supplemented with a probability of success rating as well to forecast a weighted average return on the surplus asset pipeline. Although the probability of being able to realise a return quickly, itself, is one of the prime factors pushing it up the priority list – the 'low hanging fruit' approach. Many businesses that have been asset stripped over time don't have too many low hanging fruit left. Even so, improving real estate markets can create substantial new opportunities and grow new low hanging fruit .

3. The third output is the analysis of disposal options aiming to find that option that will yield maximum value. Typically it is a risk vs. reward equation and the most common options include:
– Sell as-is
– Improve and sell
– Redevelopment

Each of these should be considered against the base option for each surplus real estate asset. The base option can be 'Do Nothing' but even that must take account of the minimum actions the business will be ultimately forced to do if it continues to hold the asset. Most real estate assets require at least security and insurance. Even vacant land needs to be mowed, rates and taxes paid and depending on your jurisdiction you may still require public liability insurance (yes for the homeless guy who walks on site and trips and hurts his back!).

For some assets there may be contingent liabilities that need to be allowed for in the base case. These can include the potential ramifications from pending political, planning, code or court decisions. For example new building regulations that require you to upgrade existing structures to satisfy earthquake ratings or new fire codes. Or there could be changes to who becomes responsible for decontamination and land remediation, or possible heritage listings preventing some disposal options.

The base case can also carry public relations risk such as in holding onto a derelict asset that is blighting an area.

<u>Sell as-is</u>
To sell 'as-is' may be the most appropriate option where there is competing market demand for your surplus asset, few obstacles to selling and others are better placed (according to your risk profile) to undertake redevelopment or improvement into alternative uses. It also usually means the shortest time to realise cash.
This is a fairly easy option to evaluate, a valuer will give you an opinion of the sale price and then you let the real estate brokers at it.

In our timber yard example earlier, it may be as simple as taking the surplus real estate including 'air-rights' to the market by an agent. The sale agreement would be likely conditional on gaining subdivision consent, a satisfactory buy back provision for car parking and a settlement period long enough to give the timber yard time to reconfigure their operations.

<u>Improve then sell</u>
Of course if the property has liabilities then the buyer is going to take that into account and may tag their offer for purchase with many conditions. That leads us to the improve first then sell option. Improvement can take numerous forms depending on the level of risk and investment required.
Improvement can be viewed as:
– Removing uncertainty and liabilities to enable a smoother sale at the market based value, or
– Adding value while the asset is in your ownership, effectively taking risk on your investment to generate a profit. The profit representing the price difference between selling as-is and selling improved less any costs of improvement.

Improvement before selling techniques for real estate assets include:
– Obtain planning consents to change site to highest and best market use
– Repair property condition to a usable, leasable or livable standard
– Renovate existing property to a modern standard
– Attend to a neighboring property to clean up area
– Decontamination and land remediation
– Heritage de-listing
– Demolition of existing properties

The asset manager for our timber yard may decide to tidy up the boundaries and fence appropriately to make the for sale lot more appealing. In addition rather than selling with conditions they undertake subdivision and set up the appropriate body corporate/owners association for the car parking themselves.

Redevelopment

Redeveloping the property can potentially yield the highest return but can also involve the highest risk – especially if the redevelopment is into a use that the business is not familiar with. Redevelopment is a higher financial return option when the anticipated profit on a change in use exceeds the likely proceeds from sale or undertaking lesser improvements and selling. Sales risk can be mitigated through pre-selling (or pre-leasing and pre-selling) the finished product before construction commences. Construction risk can be mitigated through tight contracts. Planning risks (time to achieve rezoning for example) is already somewhat mitigated in that you already own the surplus land so may have time on your side at a lower asset book value than a developer would of had to purchase at.

Redevelopment is not for the feint hearted, especially if development or speculative investment is not a current characteristic of the business.

There are multiple scenarios for any development project that will need to be analysed to test feasibility and find the best solution. The business will need to allocate sufficient expert resource to undertake this analysis and note that it is often an artistic skill more than a science project to achieve a successful development outcome.

Redevelopment can take a number of deal structures including:
– Business redevelops surplus asset at their own risk and sells finished product. For example our timber yard asset manager may hire a development manager to undertake all activities to create apartments for sale over the car parking lot. This may mean the business sets-up a separate development entity to isolate resource, collateral and risks.
– Business enters into a joint venture with a developer, typically with the land component forming the asset owners equity into the project. The business and developer share in the profit or loss and share funding risk.
– Business sells asset to developer with a profit share on completion arrangement in consideration for a lengthy conditional period for the developer to obtain planning consents.

Finding the correct development manager or development partner is paramount to success. That means a rigorous and thorough process to not only identify the talent required but also to ensure you will be comfortable working with the partner. That is important in redevelopment, as the only certainty is that there will be problems along the way.

Portfolio vs Individual Disposal

One final point to consider is whether there is additional value in packaging assets together for disposal versus disposing them individually. This will be a judgement call depending on the likely market demand for the disposed assets.

– If all the assets are highly specialised (like ex manufacturing plant sites) and only a few likely buyers then there may be greater value through selling the whole lot as one portfolio.

– If some assets have limited attractiveness to the market, and others are likely to generate real demand then combining into a single portfolio may enable you to dispose of all. However, whether they are bundled or separated each asset is likely to be addressed on its own merits and the price paid will be adjusted accordingly – No free lunch!

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With the register of identified surplus assets, ranked in priority and suitable options identified for disposal your Surplus Asset Strategy is ready to be implemented. Of course this article really only touches the foothills of the K2 style complexity many surplus asset strategies must work through.

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Surplus Asset Strategies (SAS) – Part One: Temporarily Surplus March 15, 2014

Surplus Asset Strategies (SAS) – Part One: Temporarily Surplus

"Smack" that was the sound of me hitting the broken asphalt.

"Wrgghhhhh, whhroof, woof" that's the sound coming out of the dog chasing me.

"Splosh" that's my hand finding a puddle of an an unidentified liquid as I try to push myself up.

It's 5 something AM on a Sunday morning. Pitch black and I am walking and then running from one end of an old plywood factory to the other. As I fend off the live-in security guard's canine companions I reach the roller doors to the main street entrance and meet my development manager accomplice. Today we are going to turn this temporarily surplus asset into cash flow. At $10 a head we are taking on the car fair and swap meet market…this asset, a future development site, is going to be sweated.

Four hours later, after not exactly replicating the numbers that attend the historic car parade preceding Daytona 500 we shut the roller door and go home.

Part One: Temporarily Surplus Asset Utilisation

To a developer anything with land under it is a potentially under utilised asset. If you own it, you are paying for it, and usually you are paying a lot. It is rare where a developer purchases an asset with an intention to develop that makes a return that covers all holding costs. Turning that asset into a development project, with construction underway as quickly as possible, is a developers business as usual.

In the interim period between site purchase and construction the asset is temporarily surplus and the developer may look to opportunities to realise cash flow. 'Interim' for a large project or when markets tank or where planning consents drag on, can be a long time. If the asset was purchased with long term leases in place then the likelihood is most tenants will want to move on upon expiry given the uncertainty over development. Similarly a developer does not want to be tied into long term leases as their primary motivation is to get the development underway without fixed leases delaying commencement.

Temporarily surplus asset utilisation opportunities include:

– Subletting space on a month to month or short-term demo clause basis to be used in line with previous business activities on site (an option that deteriorates over time as you spend less money maintaining the property and keeping tenants happy in anticipation of development)
– Short term lease of space for all types of storage (security becomes paramount)
– Erect temporary structures to create leaseable space – including inflatable structures
– Pop up retail and restaurants
– Low rent creative premises and 'incubators'
– Car parking, public pay as you use
– Car parking, short term lease to others

– Temporary housing and accommodation (outside of disaster relief there are lots of expensive complications like the need to provide infrastructure and services but in some circumstances…)
– Car fairs and swap meets
– Film and television sets or staging areas
– Event space
– Art galleries and sculpture parks
– Farmers markets, arts and crafts, food trucks, coffee carts
– Entertainment (carnival type attractions, roller coasters)
– Agriculture (yes I have seen land rezoned from residential back into agriculture)
– Urban farms, urban orchards and community gardens
– Trailer park
– All types of signage and billboards for advertising (this includes parking a truck trailer covered in company logos on site and advertising on fence wraps)
– Demonstration and exhibition space
– Relocatable house showroom
– Car, boat or heavy machinery sales yards and popup showrooms
– Concerts & festivals
– Sports training and temporary event facilities
– Photography studio (one example was a development project site in waiting where they had a ‘drive in’ photography studio for car magazines)
– Trash recycling collection point (actually this is what is going to happen whether you like it or not on most unsecured sites!)
– Vending machines (assuming you have passing foot traffic)
– Urban parks
– Tree farms (when development has stalled for a very long time!)
– Educational and work training premises
– Construction product or system testing
– Bomb squad dog explosives detection training (yep, been there)
– Volunteer or community organisation meeting and information place
– Theatres
– Ice rinks
– Urban beaches
– Playgrounds, obstacle courses, skate parks, outdoor basketball courts, bmx track

An interesting comment from opengreenspace.com is how people can perceive temporary uses that when done well appear to be a permanent fixture. This is especially pertinent where a use has been temporarily brought into the public domain and then removed once the temporary use is no longer required.
“Temporary uses should, however, be approached with caution as there may be a risk that, over time, local communities and stakeholders will associate a permanence and potentially ecological value with a particular space, making future changes difficult to promote without attracting opposition. In considering such opportunities therefore, it is advisable to identify an exit strategy and to ensure that there is ongoing clarity about the temporary nature of a site.”

To actually succeed at extracting cash flow to help fund site holding costs temporary uses have to generate more cash flow than the investment required to commence and operate them. When the duration is uncertain developers are heavily constrained as quite often you don’t have (or know you have) a long enough period to generate sufficient cash to pay back any temporary

investment. This of course assumes there is market or public entity demand willing to pay a high enough rate for temporary space/use in the first place.

Vacant land is generally more difficult than existing buildings to generate a temporary return. Even land used for a car park can require significant investment to comply with council/city regulations as well as being able to collect the income. Often it is simply not worth it except in Central Business District type locations where parking enjoys a high price premium. Zoning and other code regulations can permit only limited activities on a site further restricting any temporary use.

However, it may be best to find an alternative temporary use than to do nothing with an asset in transit. There may be council/city requirements to offset stalled development site blight or 'Empty Lot Syndrome'. You also want to prevent unsolicited trash dumping and homeless invasions and other issues that end up costing money and potentially cause a public relations nightmare. Donating the site, temporarily, to enable a community endeavor may even help placate potential opposition in upcoming zoning and planning hearings.

I had the inconvenience of dealing with a relentless homeless invasion. We had an old house that we used as an office on a development site. When we had completed the show home at an alternative location we moved out of the old house. The intention was to keep the property until construction was approved and then demolish as part of the overall contract – essentially let's not spend any money until we need to. We looked at offering the building for temporary lease but the lease market was flat and we didn't want to spend any money on the property to get it up to a leaseable condition. Plus we only anticipated a vacant period of 3 to 6 months.

It started with a few break ins that set off the alarm. Police were called and a homeless man was moved on. Next week, rinse and repeat with an increased number of occupants. Each subsequent time a little more copper wire had been removed and a little more neighborhood trash collected. Then one very ambitious individual cut the main electrical line from the power pole to the building (I have no idea how) – disarming the alarm in a very dangerous manner.

So we got a battery powered alarm system, that survived a week or two and you guessed it, they stole the alarm! Nothing would stop these guys, they didn't mind that it was 115 degrees nor that the water was turned off (but kept using the bathroom!). So I let them have it and we decided to demolish the building early.

These poor homeless guys were persistent to the extent they would lie there quite happy to let you yell at them to get out and then still not move. After signing the demolition contract I asked the burly demolition contractor what his procedure would be to remove my favorite residents prior to the bulldozer going in. I was thinking he is going to have to call back the police or worse take the physical moving of them into his own hands.

"No problem, this is par for the course on our demos – no one stays in there once they hear me start the engine"

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Part Two in an upcoming post will address extracting maximum value from real property assets surplus to what is required to run normal business operations. We will look at strategies how

you identify and prioritise surplus real estate as well as evaluate disposal and redevelopment options in light of risk and opportunity.

The Moment of Clarity – in Real Estate March 9, 2014

The Moment of Clarity – in Real Estate

"*Real estate is all about people and relationships*" proclaimed the energetic owner of a very successful local real estate agency. Enthusiasm can be infectious. There is no more positive way to start the day than having coffee with a master in their field with a real intuitive 'gut feel' for the market and a passion to match.

It is certainly much more enjoyable than staring into a spreadsheet with hundreds of rows of data and calculations. This quantitative feasibility model attempts to predict the future viability of a property development project. It is based on testing logical hypotheses using past numerical evidence and objective 'humanless' measurement in an assumed world of fully informed rational participants.....if only.

The authors of "The Moment of Clarity" describe how LEGO, Adidas, Intel, Samsung and others use 'Sense-making' to turnaround performance, improve product design and set strategy for their businesses using a very human experiential and contextual approach.

[Madsbjerg, Christian and Mikkel B. Rasmussen, *"The Moment of Clarity: Using the Human Sciences to Solve Your Toughest Business Problems"*, Harvard Business Review Press, 2014.]

Madsbjerg and Rasmussen describe how relying on quantitative analysis and default thinking means you can miss the future for your business. If you are constantly looking into the past rather than experiencing the present, you will have real trouble grasping the future.
"We call our method sense-making because it describes the experience of connecting the dots amid a sea of confusing data. Through sense-making we arrive at moments of clarity" [page 78].

Sense-making is about really understanding your customers by observing them in their real life context. You collect as much data about them and their interactions as possible. The data is trawled through and analysts given time to let the information ferment to identify patterns from which you create key insights. You forecast the potential impact on your business and only then do you look to build forward looking business solutions [page 105].

Sense-making has many applications to real estate. Especially in residential real estate the numbers you 'forecast' are only ever likely to be proven wrong. The most sophisticated econometric analysis cannot predict the turning of a real estate market nor inform us as to the financial metrics of herd mentality.

Purchasing a home characterises the findings of recent studies evaluating how people buy.
"We rarely know what we want. We almost never fully grasp the market and most important, we almost always buy something at a different price than we thought we would" [page 32].

Houses may be purchased in dollars, loans granted in ratios and percentages and floor plans measured in square metres but value is perceived in a very human context. This is where psychology and culture tend to dominate and very often overrule so called rationale behavior (despite what many Valuers think!).

The first action when sense-making is to re-frame your problem as a phenomenon.
"Phenomenology is the study of how people experience life" [page 79].

Rather than trying to jump to find solutions to the question 'how do we sell more apartments?' you ask 'what is the role of inner city living?'.
Instead of saying 'how do we deliver 1000 houses profitably over the next 2 years?' you investigate 'what makes a house a valuable home and where is this value missing most in our society'.

Yes it all sounds very soft and fluffy, but the authors do a much better job than me in showing how this can be used to solve business's biggest problems.

"Ethnography, the process of observing documenting and then analysing behavior" [page 90] can be used to examine and collect data on inner city living.
Why do people want or need to live in the CBD?
How do they live in their apartment?
How do they travel and what common activities do they undertake?
What do they actually use in the kitchen?
What shops do they commonly visit on their way to and from work?
How do they use cars and parking?
How do they arrange furniture and store household items?
What do they show friends and family when they come to visit?
How is their timetable different or similar to people living outside the CBD?

Let's say you analyse how people live in the CBD and find a pattern, that whilst everyone has a kitchen, they use the oven on average only once every two weeks but use the microwave daily. On initial inspection of this data ovens are not an important item. However, when guests come over they all comment on how 'cool' the kitchen with the large wall oven looks. This may lead to the insight that many apartment dwellers like to be seen to have a full Masterchef kitchen, but rarely actually use it.

The potential business impact when selling could be to focus on the look of the wall oven, not its functionality and sell up the benefits of a full function and regularly used microwave. [Page 155 for associated discussion how Samsung improved market share around by focusing on televisions as stylish pieces of furniture].

Or what if the ethnographer documents the daily activities of stay at home mums (and dads) in a large subdivision. A pattern is discovered how time efficiency for the stay at home parent provides the most value – more 'valuable' than the effect of the bread winner's lengthy commute.

The stay at home parent values a logical and consistent traffic free route from home, to pre-school, to school, to supermarket or other task centres and back to home in the mornings. A similar journey albeit loaded with after school activities and other tasks occurs in the afternoons. In the intervening period whilst at home the kitchen has become a default office – with online trading (goods and investments) undertaken by the stay at home parent an emerging theme.

This may provide the insight that stay at home parents are busy, have time constraints, value efficient transport routes and when at home now tend to spend more time in a business like activity than household chores.

The impact for property development business could be a sales focus less on distance to work and more on specific amenity in the surrounding area. It could also mean developing to

embrace stay at home parents taking a more active role in online based investing and design in ‘kitchen or pantry offices’.

When we were researching to develop a medical center I remember one site visit where the architect asked me to look up while we walked around the halls of the clinic. They had done extensive investigation from the patients view point whilst being wheeled around on the hospital bed ready to go into the pre-surgery area. The result was calming artwork and way finding signage (to reduce disorientation) on the ceiling. Perhaps a similar sense-making type exercise helped create this luminous ceiling Philips have developed for an Intensive Care unit in Germany.

The authors provide more sophisticated examples of sense-making in other industries and tackling strategy as well as product and environment design.

They extend the discussion to leadership and the need for leaders with perspective [page 173]. The understanding of consumer behavior can be wasted if leaders do not find a way to interpret and implement appropriate strategy across an organisation – connecting the different quantitative and qualitative worlds.

The authors contend that leaders should look out to the furthest of four horizons; moving past yourself (career) and the company towards industry and society [page 173].

It is then, once the organisation knows how customers actually experience life when moments of clarity happen [page 173] .

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Megaprojects and Risk – Lessons for Property Development March 2, 2014

Megaprojects and Risk – Lessons for Property Development

The assessment of risk in property development is often very basic. The best case 'evidence based' scenario is presented to funders with a project contingency and margin to cover known risks.

In residential property development, for a lender to fund 80% of development costs they may expect to see a 5% contingency, a robust construction contract, a 20% return on cost profit margin and 50% pre-sales before releasing funds to start construction. This obviously varies depending on a range of factors including the market, the developer and who is providing guarantees and equity.

'Megaprojects and Risk: An Anatomy of Ambition' provides a detailed insight into how poorly risk is treated on some of the worlds largest infrastructure projects.
[Flyvbjerg, Bent, Nils Bruzelius and Werner Rothengatter, 'Megaprojects and Risk: An Anatomy of Ambition', Cambridge University Press, 2003]
The authors pull no punches in their critique but also offer solutions to how risk should really be treated. Their research covers a number of projects from the Eurotunnel, to bridges and tunnels connecting Denmark and Sweden to metro subways, high speed rail and airports around the world.

The reason for their research is simple: many megaprojects experience a double whammy of cost overruns and missed revenue forecasts in a very public forum.

Effectively risk has not been correctly identified, publicised or managed, as the authors describe:

"We will show in terms of risk, most appraisals of of megaprojects assume, or pretend to assume, that infrastructure policies and projects exist in a predictable Newtonian world of cause and effect where things go according to plan. In reality the world of megaproject preparation and implementation is a highly risky one where things happen only with a certain probability and rarely turn out as originally intended." [page 6]
"Megaprojects are increasingly becoming highly public and intensely politicised ventures drawing substantial international attention with much potential for generating negative publicity." [page 9]
"A first step in reducing cost overrun is to acknowledge that a substantial risk for overrun exists and cannot be completely eliminated; but it can be moderated." [page 11]
"A next step is to allocate the risk of overrun to those best able to manage it." [page 12]
There are lots of examples with massive cost overruns and revenues never getting close to initial expectations – the *Chunnel* for example only had 18% of of forecast traffic in its first year of operation, beaten by Calcutta's metro which had a measly 5% ! [page 25].
The discussion is also very critical of the lack of accountability and optimism bias of political and private promoters of such projects.

I know very little about large infrastructure projects, let alone megaprojects. I once developed software that was used on motorways (freeways), wastewater upgrades, hospitals, prisons, airport and rail projects in New Zealand for document and consultant collaboration. The software's objective was to improve communication, variation management and indirectly reduce risk but I had little knowledge of how feasibility and initial assessment of risk was treated on those projects.

However, after reading this book you could quite easily substitute the words 'property development' for megaproject. Except for the most basic, short term and complying projects, property developments are susceptible to many of the same risk causes as the authors describe in megaprojects. This is especially so in publicly funded projects but even private developments have many political and public risk factors.

Large scale property developments take time. The longer the programme the more likely you are susceptible to (changing) property market risk, capital market risk and policy risk [page 77 for associated discussion].

The larger the property development project the greater the potential implication on project costs, negative publicity and political decisions.

What the authors found is that a mechanical approach to risk analysis (static +- sensitivity analysis) often led to an incorrect belief that the course charted is the most likely [page 77]. They describe the problems when looking from what the World bank describes as the EGAP approach 'everything goes according to plan' [page 80].

"…in reality in the world of megaproject planning an implementation is a highly stochastic one where things happen only with a certain probability and rarely turn out as originally intended." [page 73]
"…what people may think is the mean of all possible outcomes it actually the very unlikely best possible outcome" [page 77]
" …the result is that the real costs and real risks do not surface until construction is well underway" [page 44].
The authors describe a better mechanism for risk analysis where you assign probabilities to potential outcomes and provide a more realistic assessment of what could happen and the effects on project investors and stakeholders. This helps remove some optimism bias (politicians like to make promises, builders like to build, developers like going for high profits) and to uncover the all important worst case scenario [page 81].

Whilst determining probabilities itself can be very subjective and montecarlo simulation analysis may appear overkill in property development, merely looking to apply the principles can create a more rigorous risk assessment. With the risk assessed, alternative scenarios can be formulated or contingency plans produced to mitigate that risk should it arise.
If the worse case is beyond your speculative inclination you can drop the project altogether. If the worse case isn't actually that bad, then that may influence your decision to proceed even if there are significant risks (yes I run the 'risk' of sounding contradictory!).

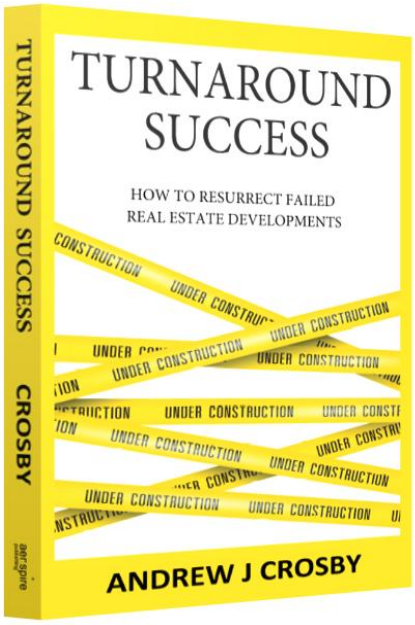
Private business, undertaking work for public entities often miscalculate policy and stakeholder risk. One important way to reduce that risk is to get as much upfront agreement and clarity

around objectives and decision making processes as possible – ideally binding contracts. It is also important to monitor those risks in line with the agreements in place. This works both ways; it protects the private interest from expending resource in anticipation of a successful outcome only to face policy change down the line; and it reduces overall cost to the public entity because clarity (especially when contracted) reduces the margin a prudent private business needs to place on policy and stakeholder risk.

The book has many lessons applicable to large scale property development and I recommend it as essential reading, especially for any organisation involved in private-public development initiatives.

Andrew Crosby

For my own take on managing project risk visit www.developmentrisk.com and read more in **Turnaround Success: How to Resurrect Failed Real Estate Developments.**



Not Location, Not Location, Definitely Not Location February 24, 2014

Not Location, Not Location, Definitely Not Location

Here's a teeny weeny deal me and my business partner did, which to me makes a mockery of the overused real estate mantra 'Location, location, location'.

In 2003 we brought the worst house in the worst street in a regional town just outside New Zealand's largest city Auckland. The owners before us had paid 98k in the late 90's. We had it conditionally signed up at 100k. A last minute negotiation at the lawyers office got it down to 98k plus an early access clause before settlement.

During the settlement period we did a quick renovation ourselves – my partner project manager and me laborer and general dogs body. The house was transformed to the best house on the worst street.

We signed up a tenant before closing at a higher rent and had it revalued (twice actually as the first valuer did not know the fast rising market!). When it came to closing we settled in cash using family money, then had the bank lend 80% on valuation shortly after. This allowed us to repay the family money, paying our renovation costs (5k) and left us without having to put a cent into the deal.

I didn't visit that house or do any further laboring duties for almost ten years. I had one point of contact where after the stove elements had to be replaced twice I told the property manager their role was to collect the rent and if there were maintenance requests the tenant could contact me directly. I never got a phone call.

Ten years later the tenant's government subsidy ran out and the tenant could no longer afford to live there. The tenant was a pig. In fact I actually uncovered the carcasses of at least 3 pigs in my landscaping duties, one of them conveniently intertwined with shellfish shells and a metal wire clothesline. Admittedly our absenteeism landlord approach didn't help the cause, but the tenant had successfully turned the house back into the worst house on the worst street.

So we had a decision to fix and rent again or to fix and sell. We decided to fix and then figure out to sell or rent later. For the second time my business partner was project manager and I was the dogs body. This time we did a proper renovation, completely rebuilding the bathroom and kitchen and pretty much completely overhauling every internal finish. I estimate every cent we spent (40k) we only recovered 50% on sale. The problem was we were forced to fix everything as the house was is such a bad condition.

A few months later (actually it took us ages as we lost interest a number of times during the process) we had turned the property back into the best house on the worst street.

When we were close to finishing we decided to sell. About a week before we listed the government put a Loan-to-Value restriction on banks in New Zealand. Real estate agents told us first home buyers for this low end property pretty much dried up. That made us drop our

asking price a bit. However, within a couple of weeks an ‘investor’ emerged and we settled on $265k.

With no money down, rent just covering expenses throughout the ten year period and a number of annoyingly difficult weekends laboring we cleared $120k. Despite it being at the low end dollar wise that’s not a bad return – just try and divide $120,000 by zero.

And guess what, it was nothing to do with location. In fact you can’t get a much worse location. We cut holding out on price on the sale negotiation pretty quickly when one morning doing the final touch-ups a patched gang decided to have a gathering across the road – the alcohol started at 9am. I think we would have pretty much taken any figure at that point.

It was also nothing to do with our expertise. We simply lucked out on the purchase timing, lucked out with an always paying government subsidising this tenant, kept expenses and income close to zero and ignored the property for almost ten years. While the tenant, her family and her dogs fouled up every internal finish we waited it out.

For residential investment property I contend time in the market is more important than location. Unless you have ESP to predict booms and busts or an innate ability to predict the next hot spot that all the trendy people are going to move into (or out of) from a % total return point of view, location doesn’t really matter.

I can hear the but’s.....

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Where's That Water Coming From ! February 22, 2014

Where's That Water Coming From !

Last night had been a big one. After 6 years at University I finally had some cash to spend and that night most of it had gone to bar proprietors. I gingerly got out of bed about to embrace the day (with a headache), when I noticed a flashing light on the cell phone.

13 messages. 12 of them within the last three hours. I looked out the window, it had been pouring down with rain last night but relatively fine this morning. I only had to listen to one and a half messages before my face dropped and the sad state of affairs that would be my weekend dawned down on me.....

I had recently quit a prestigious consulting firm to join an up and coming property development company. Lured by champagne dreams and a caviar lifestyle this was my ticket into the fast lane. That all appeared a little off the mark now as I was lying on the edge of a roof of a multi-level town-home, holding a hose over the side, trying to pretend I was the likely rainfall from a northerly storm.
"Can you see it yet?" I yelled.
"Na" was the muffled reply from inside 3 stories below.
"What about now"...the conversation continued for many hours.
The problem that has held New Zealand's residential property market ransom for almost two decades now was just starting to emerge. My role was to resolve any outstanding defects for purchasers – it quickly morphed into a job that dealt with a few minor issues (everything except water) and one massive disaster (water!). Yes I worked for a developer that did care and did consume vast resource to try to fix what effectively others had built.

As a practical introduction to construction 101 and stakeholder engagement 202 there was nothing better than spending 18 months trying to identify and rectify mysterious water leaks in peoples brand new, very expensive inner city homes – whilst they were living there.

In the early days we tried the following expensive approach:
– Tell the builder to fix it. Mostly they couldn't without additional support and sometimes key staff had already moved on.
– Withhold the builders retention to make sure they had fixed it. Given enough time and with an industry flush with new work builders would often drop any hope of receiving their last payment. Often the problem emerged after the last payment had been given.
– Tell the original Architect to sort it out (obviously must of been a design detail), yeah not really an approach that got any results – a lot of blank faces on Architects in those days
– With no builder available or at least capable we took the highly professional route and pretty much assembled what we thought was the water leak A-Team. Engineers, new Architects, Project Managers, all sorts of experts you name it, we paid for it.

The problem was (in retrospect) no one really new what they were doing but were more than happy to be paid to try and dream up solutions. I was culpable because, mainly to minimise

purchaser disruption, we wanted to limit intrusive investigations. That forced a piecemeal approach – fix it in the easiest way possible. Typically there was no easy fix.

Later there were consultants who appeared on the scene who specialised in weather-tightness armed with their moisture meters so we used them. They were also still learning and took a very conservative (everything is a problem) approach. As a representative for a company who could end up footing the bill you didn't always want to hear the answer.

Over time and hundreds of thousands of dollars later we learned that in the first instance the practical approach was best.

My stakeholder engagement went something like this:
"Hello Mrs Smith, yes that annoying leak into the bottom bedroom doesn't want to go away does it?
Hmm, well we have had all the experts in – thanks to your 7 year old daughter for letting us look at the wall in her room by the way – and checked the property as much as possible.
Well, arrrrgh, hmmm we think the best thing to do now is to knock holes in that wall and the adjoining wall in your master bedroom, lounge and daughters room and find where the water is coming in.
I am going to hold a hose on the roof and these guys, with work boots removed are going to try and not knock anything over in your house and tell me when and if they see water."
That approach whilst a frightening inconvenience for the home owner actually fixed that leak. What we found is that the intersection between the parapet wall, the roof metal, the internal gutter and the bitumen seal was faulty. You couldn't tell from looking at it, but once isolated with water, that's where it was coming in. Once inside, water traveled down timber, across ceilings, down more timber, and eventually out into the inside of the young girls bedroom once it hit the concrete floor on the lower level.

So we fixed each one of those intersections on all 5 or so townhouses and while we were at it replaced all parapet capping to cover the entire parapet to the metal roof line. Like this one, often a leak does not have a single cause. Typically there are many faults that in their sum create a weather-tightness problem.

Then we lawyer-ed up and the costs and blame game went stratospheric.

Nowadays there is a whole industry of building surveyors who specialise in weather-tightness. I don't know if they make the solutions any easier, cheaper or less intrusive to home owners – it just seems everything gets completely re-clad or rebuilt now.

Just because there is a water leak doesn't always mean the whole building is leaky. I remember visiting an office extension we had built that housed our new development showroom on the morning before the big launch. To my astonishment the newly laid timber floor was flooded with water quickly moving towards the carpet. I sent a laborer to the warehouse to buy every towel they had to mop up the mess.
I eventually climbed up onto the roof. No not a leaky building, just a stupid paint subcontractor had left all their gear in the middle of the gutter and that had blocked the water from getting to the downpipes !

In another non-leaky building situation, water was coming in from the ceiling. OK here we go, thinking it was a leaky building and the consultants were about to be called in. Thankfully the builder figured out what could be the problem and stripped the ceiling off. We found the plumber had not tightened the shower wastes to the bathroom upstairs! As a precaution we removed ceilings in a number of other units to check the plumbers handiwork.

From my experience I put the leaky building crisis down to some key points:
– Poor attention to detail at joints and where sub-trades meet. This was exacerbated by poor construction management oversight and liberal site inspections. I understand in the United States the methods of contract and packages of work actually create better coordination between sub-trades.

– Very few people knew what they were doing when it came to trendy looking town-homes. Flat roofs, parapets, internal gutters, flush walls all can work if done properly. Almost everyone was inexperienced in this type of construction: Architects, Project Managers, Construction Managers, Foreman, Main Contractors, Sub-contractors and yes Developers.
The focus on cost control and delivery according to programme created gaps in detail for this type of construction, that many overlooked because they didn't know what they didn't know. In retrospect they should have known!

– Sometimes it simply was shoddy or negligent construction, often associated with cheap labour.

– Council and independent inspections were inadequate or at least not cognisant of weather-tightness issues to the same degree as they are now so they missed potential problem areas.

– Material manufacturers had a role to play.

Our town-homes used to have stucco exteriors. When cracks started to appear (literally) we searched high and low for suitable alternatives that would fit the style of modern town-homes.

There was one meeting we had which I now look back on as a game changer to the severity of leaky buildings. I am sure every developer in town was having the same meetings . In this 'sales' meeting sat our company, and three others; a representative each for suppliers of kiln dried untreated timber framing, elastomeric coatings and cementitious backing board.

This was to be the new fail safe method, explained to us something like:
"With kiln dried timber there would be no shrinkage, and therefore no movement, and with the elastomeric coating on cementitious board because there was no movement there was no way the water could get in. Cavities were not a requirement for a manufacturer approved installation."
The problem as many of us know is that the water came in through intersections and details and with this system the water couldn't get out. Once the water was in, and stayed in, it could cause damage for a long period of time before it was noticed. With untreated timber framing this increased likelihood of rot.

Applied with the utmost precision the system could work – good builders got it to work with relentless attention to detail on many of our projects. However, the precision required in my opinion was beyond existing residential trade skills, management and inspection thereof – so the system failed on many developers projects all across the country.

So then we moved to doing everything in concrete, which in itself does not solve the problem but is a much more robust fail safe if water does get inside.

Today on residential projects I am involved in, we have the plans evaluated at concept/resource consent specifically for weather-tightness risks, then again at building consent (for weather-tightness details) and then specifically inspected for weather-tightness during construction – by an expert.

So back to that fateful Saturday morning, I listen to the 12 messages, they went something like this:
12. *"Andrew, my house is flooded"*
11. *"Hi, we have some water coming in"*
10. *"My carpet is wet in the corner"*
9. *"I can put my hand through the wall"*
8. *"Can you please send someone around, we have a problem"*
7. *"My neighbor has just called me and said their place is flooded, I am away – can you check mine for me?"*
6. ...and so on they went...
My weekend was spent coordinating three separate carpet cleaning services, a team of carpet installers (to remove the carpet) and running over 20 industrial strength fans to dry the floor out.

The problem was very simple, but certainly caused by negligence of the sub-trade and not picked up by construction managers or inspectors. The building is multiple levels high, water would hit the face of the wall during a particular storm direction and track down the wall. At the bottom level it would run down a ranch-slider door and supposedly any water trapped in the joinery would escape through the weep holes. The joinery had weep holes so we thought no problem there.

What we found eventually after having a Chinese supplier fax us joinery details was that this aluminium section had two sets of weep holes and that the plasterer had rendered over one set. So 50% of the trapped water had nowhere to go but inside.

That one was easy to fix also, unfortunately only after a lot of damage had been done, after home owners had been frustrated to their limits and after I had to find out far too much about every minute detail of how the building had been put together.

A Novel Approach for Condo Development Show Homes February 16, 2014

A Novel Approach for Condo Development Show Homes

I have an affliction for window shopping when my family visits a new city. The first day we follow the standard tourist circuit and get caught up in all the trinket selling traps. Day two might involve walking off the beaten track stumbling upon a market place or quirky neighborhood. By the third day with postcard opportunities exhausted all that is left is to do is to go shopping. Whilst my wife hits Main Street, I hit the new condo show homes.

[Outside the US condo's or condominiums are also referred to as 'for sale' apartments or flats]

A show home is a representation of the condo to be built accompanied by a sales office and marketing display. It may be located in a portable building on the construction site, inside an on-site building pre-demolition, in rented space near the site or even a purpose built standalone building. As construction nears completion show homes are typically relocated to a fast-tracked unit in the development.

Some show homes replicate – via a mock-up – an entire unit down to the fruit bowl on the dining room table, for others the mock-up is limited to a kitchen. Marketing displays often include information about the development, 3D computer animations, plans, artists impressions and scale models.

Whether it is waterfront apartments in Buenos Aries to the Trump skyscraper in Chicago, condo's overlooking San Diego's ball park to inter-generational subdivisions in America's southwest, or the latest offerings in Lisbon's Vasco de Gama, I am tire kicker #1 when it comes to real estate agents ranking their walk-in traffic.

The show homes main purpose is to help secure sales in advance of and during construction. Pre-sales are often a prerequisite to project funding.

Of course, if the market is hot, show homes tend to take a back seat. I have been involved in projects where a 10 m2 portable building with a few pictures on the wall and an eager agent with contracts on hand did the trick. Sometimes condos will sell by simply putting up a sign. Some developers leave it to a model and brochures in the real estate agents office. Yes, Twitter, Facebook, websites, brochures and investment seminars may suffice when demand far outstrips supply. However, on large projects in competitive markets, to maximise selling price, a well thought out show home is a must.

Excuse the unfortunate pun, but my 'novel' approach for the show home is to tell a great story. Let's look at 14 ways a great story can help maximise development sales:

1. First Impressions Count
2. Pack a Powerful Introduction
3. Structure the Story, Choreograph the Experience
4. About the Author: Establish Credibility
5. Set the Scene
6. Pictures Tell a Thousand Words

7. Build to Impress
8. Don't Leave the Reader Confused
9. The Twist
10. The Sizzle
11. The Drama
12. Grammar and Punctuation
13. The Sequel
14. The Book Signing

1. First Impressions Count
The saying 'don't judge a book by its cover' unfortunately arises because most people do; whether it's a book, a person or a new development. First impressions count so pay particular attention to the entrance to the show home.

Signage, especially way-finding is important. If a prospective buyer cannot find their way or become disorientated they may feel that the show home experience is disorganised or mismanaged – not a good feeling to start off on for the investment they will be asked to make.

People focus attention on signs (at least the first time they see them) so it is important to keep them clean, graffiti free and well maintained – whilst you are doing that not a bad idea to have the branding integrated into even the most mundane signs (like 'park here'). I can't recall ever thinking, hmm this development has too many signs, but it can be disconcerting when there is poor signage.

Apply the same degree of professionalism to the exterior entrance as you do to the interior of the show home – it is after all the first thing a prospect will notice. One poor example was where I had to walk through a half completed dirty lobby, up less than inviting unfinished stairs with construction materials lying around before we got to the display inside.

If the building is under construction and the show home is located within then 'construction activity' conveys to the prospect that the development is really moving forward. This infers sales have been good and can instil a higher call to (purchase decision) action. However, this should not preclude providing a clean and well signposted experience. Few people comment that a space is too clean!If the entrance is approached by car, consider the first impression the driveway and parking area creates. Tidy landscaping (one of the first things to let slip when sales are slow so just in case design to be low maintenance) and a smooth surface help. Entrance doors should be easily located and accessible from the parking lot.

Consider from the drivers and passengers seated view the branding of the development. Brand influence can start before a buyer opens the car door.

2. Pack a Powerful Introduction
A good story grabs the reader's attention in the first chapter.A pivotal psychological moment and for some it represents a feeling of anxiety, is when they open the show home entrance door.Thoughts can range from; am I going to be greeted by a fast talking snake oil salesman with a pen in one hand and a contract in the other?; to a feeling of excitement of getting a glimpse of

our potential next home; to sever skepticism that anything in the showroom I am about to view will influence our buying decision.

The 'door opening' should be a carefully considered moment, and the introduction should set a powerful positive tone reinforcing all the right reasons to purchase.
Examples of power introductions:
– For one high end development I visited there was actually a doorman – an immediate positive reinforcement for those seeking an exclusive and luxury condo purchase.
– I simultaneously experienced a weird combination of one of the worse and best introductions for a large master planned community. The show home experience started off with a rude assistant who barked at us as we came through the door and abruptly walked us into an auditorium. We sat their thinking, wow with that attitude how to they sell anything here. Then the 'movie' started, a highly professional advertorial on a curved screen that introduced the whole master planned community (without even discussing any details of the houses for sale) in its panoramic and heartstring pulling glory. We emerged ready to buy and itching to find a specific home to sign up to. Of course the staff had still lost all interest on our exit so we went for low to high back down to low in that particular intro.
– The entrance to a high rise projects showroom was in a similarly high office building adjoining the site. It was a full fitted out reception with a softer residential approach – complete with friendly receptionist who asked me to take a seat and a consultant would see me shortly. It was all very business-like, but the target market was indeed business people and the show home entrance mimicked the condo's planned concierge.
– In Vegas, the doors opened to a large oversize open space with a 'golden' scale model placed in the middle to immediately draw your focus.
– In Buenos Aires a developer had done something similar where your focus is drawn to an impressive model uncluttered from the rest of the display on entering. In these cases the architecture was their power intro.
– People and activity can also produce a powerful introduction. Sales agents sitting around doing nothing and an empty room usually does not. Consider how to create activity in the showroom (café, locate developers office + staff, compress viewing times, shared space)

3. Structure the Story, Choreograph the Experience
Create a structure to tell your story so the prospect does not jump to the final chapter without taking in the mystery, suspense, action and drama beforehand.

Think of the potential buyer's visit to a show home as a choreographed tour from arrival to exit. Think how prospects on entering the show room will move and what they will be naturally drawn to, how they are likely to view displays or interact and the key selling points you want them to understand along the way.

This starts with careful design of the layout and placement of marketing displays, built mock-ups and the sales office. With marketing arranged in a staged sequence (which does not necessarily mean linear or a straight line all along one wall) sales staff can guide a consistent story to buyers.

A formula used in many large house subdivisions in the United States involves a multiple show home planned experience. You enter the first home, walk through the rooms often in a predetermined sequence, exit a side or rear door and then are guided (fenced in, in many cases) to the next home. This is repeated again (one subdivision I recall going through 5 show homes in a row) until you finally end up in the converted garage of the final home – which doubles as a

sales office. Just in case the highly upgraded finishes do not stir your willingness to sign up along the way strategically placed notes make sure you aware of all the key features and benefits.

One luxury condo show room experience applied a very personal, tailored experience. From the reception a sales consultant would take you into their office and you would discuss your wants and budget upfront. While eager to see the actual marketing and displays, the agent made sure to have a thorough understanding of what you are looking for and picks up on any concerns or key issues you may have, before providing access. The agent then would guide you around the showroom displays, giving a customised tour – embellishing those features that are important and brushing over others that may create issues. This obviously requires very skilled sales staff but was an effective approach.

4. About the Author: Establish Credibility
Renown academic authors sell books because they have built up credibility (at least until they are proven wrong). Even if the developer has a Trump like reputation, the buyer is more likely to make a decision to buy if they have faith in whom they are buying from.

Preface the prospect early into the showroom experience (as early as possible before they start judging what they see) by providing context about the developer – the 'author' of the project. Present the developers overall business vision and approach to development. Display examples of past successful projects. Look to convey a sense of financial stability and long term commitment.

Similarly, like the foreword in a good book, have others make recommendations about the development and the developer. Display accolades and awards the developer's projects have received.
Examples to use in the show home:
– quotes from buyers enjoying their new home (and lifestyle and investment) from one of the developers previous projects
– a photo of a charity event where the developer has donated to the well-being of the community
– press articles displayed prominently how this development is going to change the area for the better- photos and quotes from dignitaries opening projects, or the turning the first sod (ground breaking ceremonies)
– display health and safety, construction excellence and other positively affirming certificates.Establish credibility before launching a sales offensive, it's about selling a dream not selling a dreamer!

5. Set the Scene
Explaining the background of key characters and history of locations helps give the reader of a good novel context for the story-line that unfolds.

In Greenfield subdivisions and brownfield gentrification of 'emerging neighborhoods' the dream you are selling may actually just be one chapter of a much larger story. Not only do buyers have to understand your vision for the site, they have process the vision for the entire area.

In large planned communities often there are multiple layers of developers and separate marketing displays: one for the master-plan and individual ones for each home builder's projects. The master plan story is usually much easier to describe as everything is going to be

new, none-the-less it needs to be told. A buyer's top focus being unlocking the mystery of when all the promised amenity is going to happen.

In urban brownfield locations where a down and out area is being rediscovered for condo living, describing the locations future potential may be the most important chapter. Most brownfield locations have many existing negatives. If this is one of the first projects in the area there are likely to be few positives.

Addressing the inevitable questions about the location upfront in the show home's marketing display is important. The developer's vision for the future should be transcribed into a chronological story the buyer can understand and believe.

One approach is to present (map) every other new development planned in the area. Pay particular attention to projects that add value to your development. This could include new shopping, public amenity and transit. Allow the presentation to be updated as sales progress as often new restaurants and cutting edge boutiques pop up in emerging areas. The buyer is likely to visit other residential developments anyway so it's unlikely you are going to have the market to yourself. You might as well use their planned developments as a strength of commitment to the area. Obviously let buyers know the benefits of your location over others! This is the time to promote the trendy little cafe that has popped up down the street that all the sales agent's visit on their way to the show home.

Knowing the ins and outs of the area and having a thought-out response to negatives whilst promoting positives keeps the story-line moving – even if your response is "and because the area is in the early stages of rapid improvement we have priced accordingly".

In a challenging location, consider carefully the directions you give visitors to get to your show home and between the show home and site location (if located separately).

Consider everything the prospect may drive or walk by on their way. Encourage the prospect to visit the positive signs of gentrification along the way (new transport construction, renovated houses, new restaurant) and re-route directions where possible to minimize negatives like run down properties and graffiti.

6. Pictures Tell a Thousand Words

Novelists create vivid pictures in the minds of their readers. Through words they convey both the character and the emotion of an environment the story is set in. A good show homes presents the character and emotion of the future development to prospective buyers.

One rule of thumb is to only display in the absolute best form of presentation possible that your budget allows. [As a buyer you should question low budget show homes for significant developments, even if the market is hot, a well presented show home should help sales velocity and pricing].

In addition to built mock-ups, artists renderings, architectural drawings, 3D computer animations, interactive displays & websites and 3D replica models are today's show home presentation tools.

Each can be used with different dramatic effect:

– The less your show home presents via a full scale replica mock-up of the condo interior, the more you have to present using other means.- Buyers don't necessarily understand architectural elevations so unless they relate to a specific benefit, use sparingly.

– If using computer generated fly-through animations and renderings, ensure there is sufficient

detail so not to leave gaps in the visualisation that buyers have to imagine on their own. For example often the texture of a wall can have a dramatic effect on the look of a building, a flat computer generated representation of a wall may leave the buyer thinking it is indeed a flat texture-less surface.
– In artists and computer generated renderings, pay specific attention to the cars and people in the artwork. They should represent what you want your target market to see.
– I am always impressed when I see a large scale replica model. Done correctly there is simply no better way to visualise the project. They are now increasingly replaced by computer generated animations but in my opinion they are still a great selling tool.
One impressive model for a large mixed use complex was translucent included lights where each apartment could be lit up independently. Identifying units available for sale on a model allows the sales consultant to then show their relation to key amenities such as pool, parking and the entrance. It also allows the consultant to describe the views and the spatial location differences between each unit.
On some of our earlier projects the models were so detailed, photos of the model were used for close ups in the brochure. Many architectural models are built (by architects) with concepts in mind, whereas many buyers focus on details, so also be careful what you leave to the buyer's imagination.
– Interactive displays should be well maintained, easy to operate and work correctly. Touch screens have a habit of needing to be touched with increasing pressure until some parts of the screen don't work at all. Also consider that while many buyers may peruse over a brochure or website at home for hours on end, they are going to have a much shorter concentration span whilst standing within a show home playing with an interactive display.
– If you have purchased photography and had images prepared for the projects brochure and website, ensure you have copyright to use them at a resolution suitable for large visuals in the showroom (and for site signage).
– There are so many ways to present marketing information, rather than just hanging display boards on the wall. Retail outlets in airports and signature stores have all sorts of innovative ways to present their products and can provide good inspiration for the humble property development. In one project showroom we effectively created a pass through display wall, separating two spaces by suspending large double sided images on ceiling to floor stainless steel cables.

7. Build to Impress
A built mock-up, a replica of the interior of the condo or key rooms within it, is where you leave the buyer little recourse to their imagination. What you see is what you get – at least most of the time.

Until the show home is relocated to a constructed building, it is still a representation of what is for sale. You can replicate almost anything except its location and relationship to the rest of the building and environment.

The specification that you are presenting as compared to what you selling is important. I have experienced two schools of thought:
a) Produce the highest spec option – build out every optional extra and upgrade, or
b) Build the base option and use material samples to describe upgrades available

The problem for buyers in option a) is that you actually don't quite know what you are getting for the price when looking through the mock-up. The upgrades are often dependent on your floor plan and priced separately. What you see may be an upgraded option tens of thousands more

expensive than the for sale price point that got you to the show home in the first place. This appears to be exactly the psychology employed during boom times to solicit maximum revenue from buyers, especially in middle to upper priced standalone homes. Lower priced homes often want to present how good the base option is so you can keep the total purchase price more affordable – also more likely to be employed when times are tight.

Option b) is easier for buyers to understand but if your base spec is relatively low, the visual appearance of the mock-up may be compromised. Typically it is most noticed in kitchens – especially bench-tops and fittings.

The correct formula does depend on your target market and also the margin the developer hopes to make on upgrades versus the difficulty and management time in allowing too many variations to the specification. It is easier to allow multiple upgrades in standalone housing compared to condo buildings. Standalone houses can be built to spec, much more efficiently whilst condo buildings usually have to have all units built, often before all units have been sold – this means keeping a much more upgrade restrictive specification all the more important.

Some show homes combine the two philosophies and display both a base and upgraded version. I have seen show homes that have built a replica of both types of apartments and some which have just built replicas of the kitchen.

Kitchens and bathrooms sell homes, these are typically the best areas to concentrate on in your mock-up. Possibly not a great idea to plumb the display bathroom (the temptation to use the facilities may just be too great !) but plumbing up the kitchen is a good idea, as you can turn it into usable function space and demonstrate how well the kitchen works for entertaining.

If you build a mock-up make sure it is of the same quality you intend to provide in the completed condo. What buyers see is what they anticipate will be in their finished home – to the degree some will take photos to record such that anticipation, just in case it doesn't measure up when they move in.

Views are often one of the key selling points that are a harder little harder to recreate in a mock-up, however there are techniques that can be used:
– Build a separate tower on site and physically walk people to the level a unit will be on.-Rent nearby space at a high level to showcase the best and most expensive apartment views (like the show home in the office example mentioned earlier)
– Print a high resolution photo of the view behind window joinery in the mock up. In most urban luxury apartments that use this technique it is most often the city lights scene at dusk.
– Embed an interactive computer display (also portable to a website) so you see photos of the exact view from the location of each unit. This requires airborne photography (balloon mounted camera that takes shots in various directions at eye level intervals for each floor).

8. Don't Leave the Reader Confused
How disappointing are the words "to be continued…" at the end of a book, or to be left wondering why did one character do such and such in a mystery novel.

I have seen show homes that meticulously recreate a full apartment down to every last detail in let's say a modern style, but the display suite and sales office is in a different style, like traditional oak paneling. This gives mixed messages and may confuse the buyer as to the intended style of the finished product.

Where there is a noticeable benefit show homes should clearly differentiate when the mock-up starts and where it finishes. Changes in floor treatment helps, as does raising the mock-up higher than the rest of the sales office and having independent walls, without using the existing building structure. This is especially important if the mock-up is within an old warehouse or other space.

Many mock-ups are created in open spaces of buildings intended for an alternative use like an existing warehouse or office space. In these situations the lighting may be a completely different effect to the actual residential setting – consider dropping in ceilings, or modifying existing lighting accordingly.

9. The Twist
Consider having at least one unique selling proposition that differentiates these condo's from the competition. Use this like a twist in the plot as you tell the story.

It may be a substantial difference or a minor tweak that leaves a big impression in the mind of the buyer."……and this will be the first development in New Zealand where apartments have their own 3D printing facilities…… "

Obviously the list is limitless but here are some examples:
– iPod docking stations (ok, that was so last decade!)
– total electronic control of all systems via remote and web
– mirror televisions in bathrooms
– feature texture wall paneling
– feature splash backs
– over-sized decks
– infinity pools on decks
– hanging herb gardens
– over-sized car parks, smart car parking, electric car charging, parking on your level (in a high rise)
– wine cellars, wine attics, wine wall, wine floor

10. The Sizzle
A spicy novel is often the reason it gets picked up in the first place.

A condo development is not just a home, it's the sexy lock up and leave lifestyle. It's you at one with the metropolis and it's all the amenity of your favorite star hotel at your doorstep.

Profiling the sizzle of additional amenity within a development is a double edged sword. Whilst it may appear an effective selling tool for the development to offer the latest and greatest amenity, buyers are now weary of the additional monthly costs such amenity can incur.

During the mid-2000 boom every amenity thought possible was being offered and the cost glossed over or ignored by buyers. During the latter half of that decade a contributing factor to condo prices falling in many cases much faster than home prices was the high monthly home owners association fees. Valet car parking was dropped at so many developments because of the high cost of staff. Increasingly condo developments sell low monthly fees – because of the provision of limited amenity) as one of their key selling arguments. A pool in Arizona goes without question, a pool in Wellington is simply an added expense.

Therefore, in the show home consider displaying marketing of the additional amenity to be provided in the condo development in terms of cost benefits and value for money as well as lifestyle 'enhancers'.

Where possible market optional amenity. This is where the costs are mainly variable – allowing the buyer to choose the service where another may not wish to.

11. The Drama
Somewhere in the middle of the novel, the main character has a really bad day, drops their guard and becomes overcome by the drama of their predicament.

In the show home confront drama and issues in the industry head-on. For example:
– In New Zealand and Vancouver weather-tightness has caused significant issues with cladding over the last 20 years.
– Condos maybe associated with the poor acoustic construction of for rent apartment buildings.
– In colder climates appropriate thermal insulation may be topical.

In these cases consider a built mock-up of the construction of the applicable assembly (external wall cladding, inter-tenancy wall and floor sections, window and wall cross-sections). Post videos and references of successful installations and display written guarantees and certificates of proven performance.

12. Grammar and Punctuation
The best written novel won't get past the editors desk until all the t's are crossed and i's are dotted.

A show home can be a considerable investment. Supplement that investment with the appropriate level of detail to round out the story. For example:
– Don't let the paperwork let you down. Present nice and tidy contracts, plans, specifications and well-presented documentation
– Furniture. Some developments will sell furniture options with the unit for the investor, however often this is not the best furniture to use in the show home. Show homes appeal to people's sense of ownership and livability, investors respond to the financial return. To achieve both (if both represent target markets), style for the owner occupier and present a professional investment pack for the investor.
– Finishing touches can make the difference. Turn a sterile display into the living environment you are trying to sell. A room stylist can be invaluable to add that personal touch to the mock up and the rest of the display. That can mean fruit bowls, candles, cooking books, rugs, cushions, colour coordinated towels and strategically located plants & artwork.
– Consider your opening hours, do they make sense to the viewing habits of your market? What is the view when someone peers through the window outside of opening hours?
– Recording contact details of show home visitors is important for the sales follow up. Agents have many techniques, typically here's a pen please fill in the under spaced box on the page style. In a show home today with all the technology available, make it a slick and simple (i.e. not clunky and annoying) professional experience. Via iPad, laptop, interactive display or stylus – capture all the pertinent data is directly into your sales CRM database, with automatic thank you emails and follow up reminders.
– Branded water bottles, pens and note pads can add that little bit extra and they cost next to nothing.

13. The Sequel
What happens next? Some novel authors may leave a sub plot unexplained, something that can be turned into the next edition.

Show homes can be designed to be used throughout the development process beyond their initial direct selling function. For example:
– Function and entertaining space for a café, parties, cooking lessons, cocktail mixing and other events (primarily to get more prospect travel through the door)
– A recorded physical specimen to benchmark construction quality – especially levels of finish

14. The Book Signing
To the novel connoisseur there is nothing like a personally autographed copy. However, imagine turning up to meet your favorite author and they are rude, disinterested, arrogant or plain annoying. You would probably want to return the book.

Now think about the sales agent. They are, as far as the buyer is concerned, as close as you can get to the author in the show home. There are very few markets where professionalism, market knowledge, a smile and personable demeanor do not go far.

Match the agent to the target buyer. This sounds obvious but in a show room setting there can be a tendency to staff with young inexperienced sales agents. They need to be well trained to ensure what they say and how they say it is consistent with the author's intent.

Summary – A novel approach for condo development show homes:

1. First Impressions Count
2. Pack a Powerful Introduction
3. Structure the Story, Choreograph the Experience
4. About the Author: Establish Credibility
5. Set the Scene
6. Pictures Tell a Thousand Words
7. Build to Impress
8. Don't Leave the Reader Confused
9. The Twist
10. The Sizzle
11. The Drama
12. Grammar and Punctuation
13. The Sequel
14. The Book Signing

Seven Secrets of Successful Events February 2, 2014

Seven Secrets of Successful Events

I find the psychology of corporate seminar style events interesting. This type of 'event' is a key weapon in many a business developer's arsenal. Whatever spin you put on it most seminar events are a strategic sales tool.

Although I am no expert by any stretch of the imagination I have found myself running a number of events over the years. As jack of all trades for the New Zealand office of RICS (Royal Institution of Chartered Surveyors) planning events was about 30% of my time – internationally RICS runs hundreds of events every year. Add to that I have run events for property development, hotel marketing and Internet software. I also have received a 2nd hand education from my wife. She spent 5 years as a fulltime event manager initially for the Arizona Association of Realtors and later for the Arizona Department of Health.
Even for the most basic event there is a lot of preparation and organisation required. However, rather than discuss the logistics in planning and running an event, I will explore some of the strategy, and tactical psychology involved.

Essentially, a corporate seminar style event is used to sell something. What is being sold is sometimes a little harder to pin down. Most events actually have multiple layers of sales, some obvious and some very subtle, some with the selling occurring not only at the event but also before and after.

In New Zealand I ran events for RICS focussed on one key strategic driver – membership growth. Membership growth in emerging markets like New Zealand was consistent with RICS being a globally recognised professional qualification and added value to existing members.

Events were my number one marketing tool 100% focussed on membership growth. I used events to sell memberships.

Membership growth involved retaining existing members and gaining new local members. In New Zealand, RICS for the most part was not a pre-requisite qualification to earn your keep (unlike the UK for example). My primary selling approach to retention and recruitment was that RICS membership can give you a commercial advantage.

Therefore, while the strategic objective for holding events was to achieve more members, the tactical actions in planning an event became focussed on commercial advantage.

The tactical formula I learned to apply includes a number of interrelated tools – what I call **the seven secrets of successful events**:

1. Get the right people to the event

Firstly you want a high number of attendees to start off with – it is a lot easier to focus on marketing when your fixed costs are covered. However, you can't simply set up any old event and expect people to turn up, or worse rely on the fact that attending so many events a year is compulsory for membership. For some soft networking and a few drinks is a sufficient reason to turn up, but there are plenty of networking opportunities with the crowded event calendar in most industries today.

You need to give people a valuable reason to attend.

I quickly found out that if the right people were coming to the event that was one reason for many others to attend and I publicised the fact accordingly. Many RICS members and prospects, are consultants – to them the right people were potential clients. Basically the more property owners, developers and government authorities at the event, the more this event was a potential commercial advantage (via networking) for many RICS members. I applied a person by person approach and tailored marketing around the 'you need to know this' content of speaker's presentations to get as many 'clients' as possible to our events.

2. Celebrate success

In New Zealand I made a point of giving new members the option of receiving their membership certificate, framed and personally presented by RICS Chairman at an event. For the prestigious Fellowship award, we tried to make attendance compulsory as these high standing achievers were certainly an attraction for other high achievers to attend. The commercial advantage for those receiving their certificate live is they receive recognition and exposure to event attendees. When fellowships were awarded, there were simply more top level contacts at the event to network with.

3. Provide real value to attendees

RICS had a real advantage in that many speakers are international RICS visitors with impressive experience and polished at public speaking. There were even a few that we bailed up while they were in holiday in New Zealand to give a presentation – one poor chap the same day as he and his family had arrived from the 24hr London to Auckland trip.
We would often supplement these international draw-card speakers with RICS members in NZ who were well renowned experts in their fields.
We actively pre-screened presentations and looked for the most topical and interesting subjects for the seminar events to provide commercial value for money.

4. Provide real value to sponsors

I did not view sponsors as a revenue source – although it did help!
For the first few events I was involved in, we stopped hiring expensive venues and approached 'sponsors' to provide their premises free of charge. As the brand grew in New Zealand we would get sponsors to provide a venue plus catering and later on we secured fee paying sponsors – eventually they started to approach us.
Sponsors were integral in so many aspects of the event promotion and helping to provide commercial advantage.

Firstly, our association with the sponsor brand was important, we did not take on any sponsor that would risk degrading the RICS brand.

Secondly, we promoted the sponsor at every opportunity. We valued their involvement and understood it for what it was – sponsoring a RICS event was a way for them to gain a commercial advantage. In the early days, we had to convince sponsors the commercial

advantage was to associate themselves with a global brand, best practice and high ethical expectations RICS places on members. Later, the higher number of attendees and market exposure we generated helped sell more of a direct commercial advantage to sponsors.

Thirdly, having a good sponsor association had an attendance flow-on effect, with high quality sponsors helping to attract more attendees.

Fourthly, we treated sponsorship as a way to keep costs down to paying attendees. This further enhanced value for money for existing members and prospects.

5. Provide real value to speakers

Except for one sports celebrity during the rugby world cup, as a not-for-profit we generally did not have funds or sponsorship to pay speakers fees. However, we played on the psychology that while attendees get value from listening and learning from the speaker's experience, the speaker gets market exposure to demonstrate their expertise.

In the property industry site visit events are an easy sell as most want to see how the latest project has turned out and learn from those involved in its development. The main 'speaker' in this case is the building itself and the development team behind it. I made sure when we promoted a site visit we did our part to sell a commercial advantage of the new development. Even the larger number of those who read the event promotional material but could not attend would have exposure to the project.

Another way to add value to speakers was to get media coverage of our events and those involved. We always made sure media was invited to our events and canvassed them to attend. Not always but often enough the event was mentioned in print.

6. Promote the brand, unashamedly

A little bit of my experience in America rubbing off; with a captive audience I made sure everyone heard the succinct but persuasive RICS global growth, educational and commercial advantage story. This was my one direct sales pitch of the event – brief and toned down for the Kiwi audience. I felt it was important to reiterate the value of membership as much to existing members as to potential newcomers.

This was also supplemented by collateral materials at the event. I mainly used examples of RICS publications and educational resources, rather than in your face 'sales' materials. The quality of these publications did more to sell the high standard of the qualification than me talking about it.

7. Don't forget the before and after

Many more than whom attend look at the promotional material in the lead up to the event. We used the pre-event promotional material to sell not only the seminar but also the RICS brand and its competitive advantage – albeit subtly.

In event promotions I also highlighted those companies that had 'sent' attendees in previous events to solicit new attendees from new companies – i.e. a little bit of keep up with Jones psychology as well as if this company is a potential client of yours, they will be at our next event and so should you!

Post event was a good opportunity to canvas new sponsor prospects on the basis that either:

a) their competitors had sponsored us at the last event and therefore to maintain their competitive advantage they should considering sponsoring us on our next event!

b) they could now associate themselves with blue chip sponsors we currently had signed up –

i.e. for example a small building surveying firm with sponsorship alongside a major bank or industry leading legal firm.

In the end some sponsorships became substantial and we were in a fortunate position where we had to make sure new sponsorship did not cannibalise existing relationships.

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Within these seven secrets there is a lot of selling occurring – some obvious, some not so much:

– Event and seminar promoter is selling their brand
– Attendees are selling themselves (and indirectly or directly their services) to other attendees
– Speakers are selling their 'expert' status to attendees
– New members (receiving their membership certificates) get exposure
– Buildings and those involved in their construction are advertised
– Sponsorships are sold
– Sponsors sell their brand (and indirectly or directly their products and services) to attendees
– Prior sponsors and prospect client companies are promoted to competitively sell new sponsorships and increase event attendance.

So I have discussed the seven secrets in the context of seminar and site visit events for a not-for-profit professional membership organisation. However, many attributes of these secrets can be applied to whatever the event is 'selling'.

For example, having the Mayor speak at an onsite property development launch (our objective was to sell condos and tactically have council onside) used the tools:
– *1. Get the right people to the event* – Mayors seem to attract an entourage, and
– *5. Provide real value to the speakers* – In our case a mention in the morning TV news and plenty of photo ops to promote inner city gentrification.
In my wife's case she was 'selling' the latest improvements in vaccinations and disease prevention to health professionals throughout the State with the objective of reducing the State health budget. Her tools included:
– *3. Provide real value to attendees* – Influential nationally regarded speakers (and potential medical networking and academic contacts) from the 'Centre for Disease Control' in Atlanta (think zombie movies), and
– *4. Provide real value to sponsors* – A highly competitive but sensitive arrangement involving drug mega companies sponsoring state sanctioned events, gathering brand recognition without actively promoting their products

Property Development Management: Buying a Decision January 30, 2014

Property Development Management: Buying a Decision

[We look at the Focus, Solve, Package method for complex organisations undertaking property projects who need development management services that deliver an approval.]
Place a conditional purchase agreement on a piece of land, get an architect to draw up some plans, have a builder cost it, get a valuation and take it to the bank for some funding. If your total cost is 80% of the valuation then it's all good to go – sign up the builder, list with a real estate agent, stick an add on trademe.co.nz or ziprealty.com and you are now a property developer!

Sometimes it is that easy. Rising property markets forgive many mistakes or unnecessary risks taken in 'back of the envelope' developments .

For corporate, government and large private real estate developments it is typically a little more difficult. For those who rely on the professional services of others, to undertake development management on their behalf, thinking it is that easy, can result in some expensive lessons.

Many companies who provide development management services provide a list of items that they can undertake on behalf of clients. More often than not it will comprise a variation on the following:

– Client brief preparation and business objectives analysis
– Identifying development opportunities and potential acquisitions
– Site due diligence and condition assessment
– Market research, demand and competitor analysis
– Bulk and location, master planning and conceptual analysis
– Preparing and analyzing development appraisals/feasibilities and financial models
– Risk analysis and mitigation strategy
– Options analysis and 'product mix' development scenarios
– Project/consultant team selection, appointment, managing and leading
– Planning and consent engagement, strategy and implementation
– Design management from concept to developed design
– Cost engineering
– Value enhancement
– Funding, financing and investor strategy
– Stakeholder, public relations and community engagement
– Sales, marketing, branding and purchaser/lessee management
– Procurement of contractors – strategy and contract negotiation
– Client representation during construction delivery; cashflow, programme and variation management
– Dispute resolution – or contract enforcement!
– Closing (settlement) management; purchaser or lessee 'wrap up'

Some companies even have a nice diagram which shows how they see development all fit together. Many academics have attempted to describe the end to end process [Daniel B. Kohlhepp at John Hopkins Carey Business School] or apply complex financial theory to model

the process [Jihun Kang at MIT]. There are also a number of books that look to describe development from conception to completion [Sara Wilkinson and Richard Reed].
In my attempt to:
a) write a book,
b) develop real estate development process workflow software, and
c) create decision tree based algorithms for teams to use on multiple development projects,
I have found it impossible to ring-fence property development into a prescribed process. My experience has been as soon as you think you have established a model, you find something new or an unexpected event throws the model out. [I am sure others have figured it out though, somewhere out there?]

My effort at a book – currently drafted at 61,000 words – is a mix of theory, international best practice, new ideas and linked to practical examples I have been involved in (both successful and unfortunately some failures to learn from). However, the manuscript has simply grown too complex to succinctly clarify the rules of the property development game. The more I research and the more markets, projects, deals and approval processes I have been involved in, exception becomes the main rule.

Property development is not a linear process, nor is it a circle, or decision tree or a catchall matrix.

To me property development is like baking a cake following a recipe except you start with a blender already half fill of ingredients. Some of the ingredients you don't know are in the mixture until you start to taste and some you may never discover for years. You add some of your own ingredients, mix, taste, take some out and put in a little more of this or less of that. Quite often you have to throw out the mixture and start again. Sometimes you have to change the recipe to match the ingredients. Then after you think you have the right ingredients and the right taste for the right recipe you have to bake the cake – not always with the latest Smeg oven. [This analogy could go on and on to include the changing tastes of those eating the cake, to the shops supplying the ingredients, resizing the blender and dealing with a power cut!]

Simply put, property development is art and science. The only certainty is that something will change.

This has implications for those relying on others expert opinion to advise on property development. A private developer typically takes on risk, without perfect information and makes a decision on intuition, experience and the promise of what could be rather than the risks of failing. Their ability to get a project financed is often the prime determinant whether that project goes ahead or not. The developer makes the ultimate decision, personally takes on risk and is also typically (hopefully) the most knowledgeable person in the development process.

Complex organisations, where development is not their core business, need to have evidence presented at different layers and then ultimately approved by those with the financial delegation to do so. Those making the ultimate decision are often not the most knowledgeable person in the development process. They rely on the expertise of others and a nice sequential approach to development may seem like a fair logical approach to them.

However, that is a sure fire way to spend a lot of money on a lot of advice and potentially not get anywhere.

The managers in the complex organisation, at the start of a project or any 'stage gate' within, may actually not be in the market for development management services. What they really want is to buy [the case for] an approval decision.

We describe an iterative approach to development management, which has the approval decision at its core.
We call it **FSP – Focus, Solve, Package**.
Focus, Solve, Package can be applied to a new opportunity under investigation, a subset of a project already underway with decisions pending, a problem that needs to be addressed or revisiting a project in disarray.

Focus
– What does the project need to achieve?
– What are your constraints?
– Who is the approver and how do they gain understanding?
– What results do you need to solve for to reach an approval?
Focusing is about defining the problem or opportunity and extracting the factors that are necessary for success – for this particular client on this specific project. It is important to separate what is really critical to a successful project from what is simply window dressing, unnecessary or can become counter-productive.
Focus means you work intensely on exactly that which will achieve the approval decision.

Solve
Create and test solutions for the project, with a multivariate analysis type approach within the greater context of macroeconomics, risk and achieve-ability of *Focus*.
Look at every variable of the financial feasibility and non financial components, apply conceptual changes and measure their impact both in isolation and their effect on the whole:
– Revenue (source, quantity, velocity, sustainability)
– Costs (fixed, variable, negotiable)
– Design (base, value change, influential, product mix, type)
– Construction (alternatives, procurement, staging, critical path)
– Consent (minimum, maximum, negotiable, politics)
– Deal (structure, timing, financing, capacity, parallel process, guarantees, worst case)
– Stakeholders (benefit vs.cost, value for money, equitable, competition)

Package
Clearly demonstrate how the result has been solved so decision makers will understand and approve. The more you understand what is the f*ocus* of the approver the easier it will be to package a case for approval.
Package is all about the argument you create to buy a decision. The formal presentation may be a business case, a loan approval application, a request for proposal or an interactive decision forming presentation. However, p*ackage* is most importantly about how you tell the story, so the approver understands how the route to the decision has been *solved* based on the criteria of their *focus*.

Focus.Solve.Package
There is one last word I will add to the FSP approach to development management; **repeat**.
You may get lucky and bake a successful cake the first time round, but please warn me if I'm coming for dinner and this is the first time you will be serving Beef Wellington.

Rental Guarantees: Beware of Fools Gold January 27, 2014

Rental Guarantees: Beware of Fools Gold

The short term rental guarantee lends itself to one of the most insidious scams in residential property investment.

They can take different forms but most commonly the scam works by convincing – through basic math manipulation and psychology – a purchaser to pay more than the true market value. The sellers are typically 'investment promoters' one step removed from the developer (albeit often linked at the financial hip). They guarantee a rent that is above market, and when the guarantee period ends, the purchaser is left with a lower rent and much poorer than promised investment. Many rental guarantee schemes result in substantial capital loss.

This is an example how a basic rental guarantee for residential property works:
– Market rental is $500 per week
– Purchaser is sold property on a market investment basis at a 10% gross yield
– Purchase price is the annual rental divided by the gross yield
($500 x 52 / 10%) = $260,000
– Promoter guarantees rent for two years at $600 per week
– Purchase price is based on the same 10% initial gross yield
($600 x 52 / 10%)= $312,500
– The cost to the promoter is $100 per week for two years or $10,400
– The true value to the purchaser is $10,400
– However, the difference the between sale prices is $52,000
– So the developer pockets $41,600
– The value to the developer is often more pronounced than this as the guarantee is over time, and therefore inflation further reduces the guarantee's cost

Caveat emptor (buyer beware) perhaps and yes markets can turn sour. However, the key component of the scam is when the purchaser is sold the investment *as if* $600 is a realistic market rate.

Rental guarantee scams are more common in off-the-plan sales as settlement is typically a year or more out and over embellished market rent estimates much easier to promote. They are also often offered for renovated high yield, low price property. The sales tactics are typically investment based seminar hard sells with the psychology focused on the yield and leverage. The guarantee is promoted as being their belief in a rising market and their superior investment selection prowness as opposed to a logical look at the assets true value. Near the latter stages of a property cycle, these schemes always appear to resurface – I have first hand experience with them in three countries now, across two property cycles and the tell tale signs are all so obvious.

There is nothing wrong with investment seminars to sell property. However, the problem arises where the promoter knows full well market rent is less than being touted but is prepared to subsidise for a short period of time to make the sale at an inflated price. They then hope for higher rentals in the future or blame the difference on market conditions. Worse the promoter simply disappears.

In New Zealand the rental guarantee became especially problematic with serviced apartment rentals where the occupancy rates and room rates were guaranteed far in excess of what actually and should have been reasonably forecast to materialise. Many were also not protected by a commercial lease arrangement with sound backing.

Different variations exist in lease arrangements where investors are sold a guaranteed yield for the first period of the investment. Another variant is where a tenant has part of their rent for the first term pre-paid by the promoter before the property is sold to an investor.

There are three types of rental guarantee which makes sense and are more aligned with an insurance policy rather than a sales gimmick.

1. If the rental guarantee is equal or less than current market rent it effectively acts as an underwrite. This guarantee may offer piece of mind and protect your downside in the case of deteriorating market conditions. There is nothing wrong with these guarantees – often used to market properties in flat markets – so long as you don't overpay for the privilege in the first place.

2. Even if at an inflated market rate, if a private rental guarantee were offered long term, the difference between value of the guarantee and the difference in upfront purchase cost would reduce, to the point it may be worth the piece of mind to have rental guaranteed for a longer term. Solvency of those paying the guarantee, if required, then becomes the prime concern. However, a long enough guarantee ends up being a zero sum game so why not just pay based on the real market rent at the outset?

3. Long term government leases often tie in a rental rate for a long period of time. With these you shouldn't worry about solvency of the guarantee – if it is provided by the government on behalf of the tenant as opposed to a guarantee paid by the promoter. In addition, the rental rate is likely to be much nearer true market value as the government should have done substantial due-diligence before committing to a long term lease.

Commercial investors often employ much more rigorous logic, not to mention lawyers, to the terms they sign up on – so they should be well aware of dubious rental guarantees. There are also many private investors who enthusiastic to get into the market act like speculators and their lack of due-diligence, coupled with fairly average legal and accounting advice are key enablers of property scammers.

It is the mum and pop investors who often end up holding iron pyrite.

So, the next time you see a rental guarantee being offered it may pay to take a real close look at how golden its really is.

P.S.
If anyone has any examples of residential rental guarantees that look like scams, or alternatively those which look to add real value, I would be interested. I have researched and found both the good and bad currently active in residential property markets around the world. Some actually promote the choice of a discount or a rental guarantee which is a step in the right direction. Be very aware if buying off the plans in Dubai and Eastern Europe and maybe take a second look elsewhere, including New Zealand…

S.W.A.T Surround Hotel Gunman: Revenue Management Ideas for Online Guest Reviews January 20, 2014

S.W.A.T Surround Hotel Gunman: Revenue Management Ideas for Online Guest Reviews

11pm Tuesday, its fine, dry and 30C.
Ring ring.
"Hello" I eventually awake and answer.
A voice trembles on the other end "Hola Andrew, esta policia en el hotel……"
"Ok, ahhh ok, I'm on my way" I nervously respond.

…….

I arrive at the hotel, the car-park out front is full. This is usually a good sign, if the car-park is full at this time of night that means a good number of rooms are full. A full hotel is a happy hotel, lots of guests, lots of eyes across the property, lots of revenue and fixed costs well covered.

Alas the car-park is full, but it is possibly one of the worst sights a hotel General Manager can expect to view on his second day on the job.

With rifles drawn, armored vehicles running and looking like a cross between power rangers and the navy seals, the local S.W.A.T have taken over.

Note: Picture is for illustrative purposes only. This is the local S.W.A.T team and closely resembles the same scene but this is not the hotel or night in question.

So I enter, walking past the elevator which has a team of five officers going in and out of the doors and playing with the controls. I end up finding the police officer in charge and after a conversation with the operations manager, get a reasonable picture on what is going on.

A hotel guest in the hotel's rear building had rang 911, they *said* they heard a gunshot. They were screaming that the gunman had shot a guest and someone was now trapped in the elevator. Alerted to this the local constabulary paid the rear building of the hotel a visit. They found a blood trail down the hallway wall from a rampaged room to the elevator. The elevator was stuck between the 2nd and 1st floors. There was every suggestion either the gunman or a victim or both were trapped in the elevator. The officers shut down the hotel and called S.W.A.T.

Thirty minutes later, desert storm was launched. The men and woman in black were highly efficient and did not intend to waste time. The elevator I had earlier walked past was being used as practice area to test how to break into the shaft and secure whatever situation they would encounter. Practice took less than an hour.

During that time I had talked to guests via phone who were still in the same building as our gunman. The S.W.A.T officer's instruction to me to tell all guests in that building was very clear. Lock your door. Stay in your room. Stay away from the windows – that I was told was because if the gunman was outside he may shoot at any movement behind a window.

Hmm, just two days in, to managing the inn, this is not the type of information you need to keep you up at night. Revpar (revenue per available room), occupancy rate, ARR (average room rate),

forward bookings, average length of stay, fixed cost per room, incremental cost of new customer and plenty of other measures are where the mind should be this early into the role.

Then S.W.A.T went on the offensive and raided the elevator in the rear building. Two minutes later after finding nothing they left. I received a follow up letter a week later in the mail.

There was no gunman. There was no shooting. There was a fight, some blood and maybe a rifle had been sighted by the anonymous guest. But whoever the culprit and victim were they had disappeared. We never saw the guest who checked into the rampaged room again either and they had used fake ID.

The next day the hotel opened and continued as usual and a whole new batch of guests checked in, none the wiser.

We were very lucky we hadn't yet addressed our hotel's limited online presence and therefore there was almost no opportunity for a guest to post an online review describing that fateful night.

I had just taken over GM duties basically to try a fresh (albeit completely inexperienced) look at improving net revenue. My original role for the hotel was to develop it into a $100m mixed use project with for-sale condominiums, offices, rental apartments and some retail. However, that vision faded as the peak of the property cycle passed and now the previously neglected hotel had to help pay the mortgage during America's great recession.

Most residential development projects take years and within that period you sell each unit once. A development manager on a reasonable sized project may deal with up to a couple hundred sales over 3 to 5 years. So I had to readjust very quickly when I looked at the first report on my desk on day one of my GM duties. The report displayed how many of the 166 rooms were sold tonight. Report 2 showed each night for the next 30 nights and report 3 showed monthly bookings over the next year.

Over the next 12 months I was looking down the barrel of having to manage 60,590 room night sales !

Hotel rooms are perishable, like airline seats, rental car bookings and even golf course rounds. If a room stays empty one night you can not recover that revenue. Airlines have sophisticated automatic algorithms assisted by revenue managers to help optimize occupancy – that is why the price changes depending on when you book and how many seats the airline has available and other factors.

The budget hotel industry I was involved in was relatively unsophisticated in revenue management. It was more of an art based on local knowledge and experience than anything like a mathematical algorithm. I was in daily contact with the franchisor and I attended the parent company's General Managers course in Orange County to learn the tricks of revenue management – or at least increase the franchisor's profit!
However, even with thousands of hotels worldwide, across price points and a substantial support network for franchises, there was not much practical usable help on automated or assisted revenue management.

[*I am convinced the mega hotel-casinos in Vegas had it sorted – even if I just base that hunch on the sheer number of bookings they managed to get out of me!*]

One of the key areas where increased hotel revenue seemed obvious was to achieve a strong online presence and to maximize online bookings with third party booking engines. We had recently changed franchises (also in the attempt to improve revenue) and whilst we were now part of a new centralised booking system that included web bookings we had not actively sold rooms via the third party sites, nor had we engaged with guest review sites.

Basically we were starting fresh, with a clean slate for reviews. Over the next 12 months a substantial amount of my focus was devoted to revenue managing third party web booking sites.

I would look at the forward booking schedule for the week almost every couple of hours, down to the minute when we were filling up and had just a few rooms left. We tried and tested different revenue management tactics that included ideas from hotel experts, analysis of all our competitors and research into hotel best online practice.

What become glaringly obvious was the immediate power of the guest review on bookings. It has literally changed the hotel industry. Trip Advisor, Hotels.com, Expedia, Orbitz and Lastminute.com were some of the ones we focused on. There are a lot more of these sites now and Web 2.0 social media are moving reviews and recommendations into a whole new world. Cornell University have done comprehensive research on the impact of social media on lodging performance.

A bad review on its own can be seen as sour grapes or just an out of character situation, but if 50 out of 100 reviews are negative it is going to significantly affect your potential to sell a room to any potential guest reading – at least without discounting the price. Many read the reviews across multiple web sites before they book, even to our surprise for a budget hotel.

We learned to *try* to manage reviews proactively. Travellers who had bad experiences were more than likely to post a review than those you had a good or standard experience.

This preemptive guest review management included:

1. We encouraged those who thanked us at the front desk (for having a pleasant stay) at checkout to post a review – we even had a computer set up in the reception where we showed them how to do this. For repeat guests (they kept coming back for a reason, hopefully because we were doing something right) or whenever there was a positive encounter we encouraged the guest to post reviews while it was still fresh in their mind.

2. We were conscious during the guest's stay if they had booked online via a third party site; they had more opportunity to post feedback as most of the online engines would later email guests asking them if they would rate the hotel. Yes it probably meant we were more proactive with these guests as they had a greater chance of influencing the hotels future business.

3. We actively monitored online reviews daily. If there was a negative comment we would always address it online (some websites allowed hotel operator feedback or right of reply). Typically we would not argue the point, but we would point out our very low pricing, or future planned capital upgrades. More often than not, the comments were out of line when considering the low price guests had paid. If negative feedback was not justified we fought (to the bitter end) to get the website to remove the post. Third party websites now look to be more actively addressing unwarranted negative reviews.

4. We obviously did everything we thought we could to make sure the hotel was as clean and maintained as possible. This was a major problem for the hotel; it was old, had been neglected for years and there simply was no budget for significant capital expenditure until we were forced to spend it. Burst plumbing was especially problematic and never easy to locate and repair. Guest satisfaction and cold showers are not compatible.

5. We had a customer is always right attitude and gave refunds where justified – and even when not justified if that was going to be more cost effective approach in the long-run and not put our reviews in jeopardy. Yes some people tried it on and threatened to post a negative comment if they did not get a refund. We actually would preempt those guests when they left and immediately contact the site they booked through and Tripadvisor explaining the situation in advance – to grease the wheels for a review removal if it was ever posted.

6. We went out of our way to provide customer service if there were issues. Moving someone to a new room was done without question. I found if our staff were super friendly and helpful, that could turn around the guests opinion from a negative to a positive.
For example if the guest wrote 'I stayed at X hotel, the room had a faulty air-conditioner, but staff were very helpful and moved me to a different room…' it is actually a positive review and assuming we had free rooms (which most often we did) only cost us the variable increase in housekeeping that room – about $10
Compare that to this 'I stayed at X hotel, the room had a faulty air-conditioner, so I pleaded to move rooms because my kids were sweltering, but staff were so rude and wouldn't do anything about it. They sent a maintenance guy but he couldn't fix it and couldn't understand me so I was so tied I just gave up and we had a sleepless night. In the morning the staff didn't even apologise.'
This is a dramatic difference with the potential to affect hundreds of future room night sales, all for a lousy tenner.

7. For a while we made it clear that the low price was because the hotel was undergoing an upgrade or other works, before they checked in – to lower expectations before they think of commenting.

8. We made more money when our guests booked via the franchisor booking system than the third party website, so all attempts were made to direct bookings that way. That helped because the franchisor booking system either did not allow comments or could manage it much more responsively. The problem was, despite their marketing attempts to retain the online booking role, third party website bookings were much more aggressive and successful five years ago. According to a Hotel News Now article this trend may be peaking.

9. Selling more rooms via Travel Agents, although typically more expensive meant groups of guests for longer stays without any reviews. In our case Contiki was a big contract (and surprisingly few problems) and we also had visiting school sports teams (however, with parents on edge, complaints could easily escalate). Budget hotels are also not always top of mind for the kinds of guests that now use Travel Agents and often the room rate had to take a hammering to secure this volume business – so opportunities to increase net revenue were limited.

All of the above helped the online reviews, sometimes staff were diligent in applying customer service, other times we let ourselves down. You simply had to continue to be super vigilant as online reviews were becoming increasingly influential.

Online ‘references’ are firmly entrenched in the hotel industry and managing their impact is now a significant part of revenue management. I can’t bear thinking what would have happened after the S.W.A.T raid if our online presence had been up to speed.

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P.S.
Coming in a future post. What about other industries and service providers – is the online feedback review catching on in the professional world and what are the implications?

3D Print Yourself Everything – Including the Kitchen Sink January 18, 2014

3D Print Yourself Everything – Including the Kitchen Sink

I came home last night to find a large brown cardboard box lying in the hallway. These boxes always solicit beads of sweat from my brow. A large brown unopened box with a courier sticker typically indicates a sizable deduction from the family bank account. Anyway, to her delight, my wife informs me the box contains the latest retro mid-century-modern baby bassinet and I will be putting it together this weekend.

This piece of infant furniture (now in several pieces lying on the living room floor, along with broken polystyrene all over the carpet) reflects the 'Amazon' retail phenomena of the last decade. My wife found the item recommended by a friend on facebook or babycenter.com, looked up an online retailer, purchased it by credit card and a courier delivered it a few days later. No visit to the store and no bricks and mortar real estate – except a warehouse and factory somewhere I guess.

I look at this item and there are four separate pieces which I have to hex key together. They are made of plywood, but could easily be made of plastic or some other composite without affecting the look or design. I look around the rest of the living room, a number of Eames replica items including a coffee table which is essentially 3 separate pieces and a kids table and chairs all with quite basic geometry arranged to give that slimline non-decorative 1960's form. You can get the designs on all these items off the Internet. In fact I was about to attempt my own Rietveld chair based on replica plans freely available on the Internet. I haven't yet made the commitment to visit the home improvement store and purchase the materials but it looks easy enough.

While reading the article 'World Changing Predictions for 2014' point number seven 'You will actually use a 3D Printer' I had a penny dropping moment.

Wouldn't it be great (i.e. cheaper) if I could just have printed this bassinet out? The components are all fairly simple forms plus some screws – and I have to put the thing together anyway.

That gets me thinking. Is 3D printing a mega-trend that in a decades time we will not know what we did without it? Does 3D printing represent a potential paradigm shift in how we manufacture and procure products. What does 3D printing mean for real estate and construction?

There are a number of visionaries attempting to commercialize 3D printing an entire house. Their progress looks promising but there are a number of complexities (like reinforcing, plumbing, electrical wiring and waterproofing) to be overcome. However, with funding from no less than NASA (who alledegly has an interest to build homes on the moon) the University of Southern California are making big strides with their Contour Crafting Robotic Construction System.

If and when 3D printing houses is fully commercialized and cost effective the construction industry could be completely transformed.
For example:
– speed of construction reducing finance and holding costs
– much less transportation costs, lead time and delivery issues
– quicker supply to meet demand

– significant decrease in skilled labour requirements (albeit creating completely new roles)
– less joins for more effective waterproofing and accurate detailing
– an increased focus on replacement (and recycling) over repair maintenance and demo approach
– colour infused exterior facing material with inherent water resistance eliminating painting
– emerging modular systems will either embrace 3D printing or be at its mercy, as on site construction benefits potentially leap ahead of off-site prefabrication and delivery
– new composite re-usable materials (inks) with inherent sustainability, bio-ecological, acoustic, fire and water proofing characteristics – even 3D printing in steel
– the potential for craft and personalised design to merge with industrialised processes without requiring standardization and mass production to reduce costs

In the interim, there are a number of smaller 3D printing initiatives that could have a much more immediate impact. Look around your bathroom, there are a number of objects where they are simple forms. Why couldn't they be printed onsite using by a realistic portable 3D printer?

Currently you visit the plumbing store or peruse the internet for the style you would like and then have to wait for the next shipment from China or Italy if it is not a stock standard product. The builder of the future simply downloads a pre-approved design and material ink spec into his site shed 3D printer, customizes the exact dimensions and material colour and texture and hits the green button. 3 hours later a towel rail and a toilet roll holder emerge.

Just look around your house – even just the simple forms – difficult component printing and assembly will take longer to commercialize. Imagine if you could go to a base design on the internet, customise for your (or your architect of the future) unique design tastes and have exactly what you want ready to be printed, just before installation is scheduled. Light fittings, electrical covers, hardware, vanity tops, benchtops, even the kitchen sink!

Another simple application is to print your own construction molds. Precast concrete is increasingly used in residential construction and one way to soften its appearance is to add texture. For example a residential apartment building recently completed in New Zealand uses weatherboard on the front building, because its timber construction but a weatherboard textured precast concrete on the adjoing rear building. You cannot tell the difference. The precast texture will have required a formwork mold, typically created by the time consuming task of framing one up in plywood, and limited to basic shapes. Molds that are 3D printed have practically limitless design potential. in a matter of hours you could have a custom printed mold to create very complicated textures for use on all types of concrete surfaces.

You can imagine all sorts of other benefits and effects on construction, but what about the potential fundamental shifts that will affect real estate and the logistics industry, including importing and exporting?

Rather than transporting finished components to site you are transporting raw ink (printer material composites or ingredients). That would mean significantly smaller required transportation volumes in total if you look at a whole house.

Rather than warehousing construction materials you are warehousing 'inks' or the component materials within. Or I guess they could be stored in big drums like oil. This may mean less demand for low impact warehouse space and more demand for heavy industrial style storage space.

Rather than going to a retailer to purchase goods, many of which are stored on site to meet lead time expectations, you are purchasing intellectual property (and emerging issues) and then printing it yourself.

What would this mean for retailers of construction products and their real estate requirements? Does it mean less and less retail and warehouse space required as 3D printing gradually replaces successively more and more complex products that retailer's currently supply?

Is the home improvement store with its shelves of 'standardised' generic products gradually replaced by 3D printing machines in everyone's home?

How does this affect current business models of Internet retailers who generally make their money off sourcing, storing and sending you physical products? What about their warehouse demand?

What happens to courier companies who in recent years have been boosted by online retailing? – I guess to counter this courier demand could increase if neighborhood design-printing facility businesses as opposed to in-home printing offer a more convenient service.

How does this affect the massive production of construction materials in China, that still incur transportation costs to their end installation site?

If you can pay for a design off the internet, download it into your 3D printer and 'bake' your product at home, how does this affect importers and exporters ? (and brown cardboard box makers!)

What happens to the work subcontractors are involved in maintenance if construction is much more reliant on product replacement, and that product replacement comes from 3D printers owned by the client? Think of government housing associations for example whom have hundreds of thousands of items to repair/replace each year.

Do developers of the future need to design to a 4 bed, 2 bath, 2 car garage, plus 3D printing room specification?

Yes there is still a long way to go, a significant amount of hassle factor and as yet dubious cost efficiency but the technology is moving fast. The desktop 3D printer market is established and growing exponentially and you can already print architectural quality products in high detail.

Eventually 3D printing could substantially change the construction and real estate industries and much of the logistics they operate with. The applications of 3D printing appear limitless and the barriers are quickly being broken down. The MIT Mediated Matter research group are doing some amazing research in this area.

My best guess is that 3D printing will involve in ways few can think of at the moment, it will make some categories of business and their real estate needs redundant but also open up new opportunities.

Back to my bassinet, while I am printing that out in my 3rd bedroom/office/3D printer room, I might as well print a couple of stools for the bar and redo all the kitchen joinery door handles.

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Dinosaur Bones and Developers; 'Top 10 Tips' to Push for Performance and Make a Project Happen January 15, 2014

Dinosaur Bones and Developers; 'Top 10 Tips' to Push for Performance and Make a Project Happen

Brownfield residential property development is a difficult gig. From the day you identify a site to the closing/settlement date of the last home sale, time is one of your most valuable commodities. The shorter the development cycle and the sooner you can turn outgoings into incomings the better. Throw prime bank lending, complex JV structures and mezzanine finance into the 'leveraging up' mix and time becomes paramount.

Except in a rapidly rising real estate market – where you may be tempted to refinance to cover cash flow betting on larger revenues down the track – the ideal development is to get in and out as quick as possible. For brownfield development – through New Zealand's resource consent planning process – quick means at least 3 years before the last home is sold, if you are lucky!

Within this period, there is an important race to achieve pre-sales (the likely trigger for prime bank financing), a two steps forward, one step back, three legged race to get planning consent and the grueling final laps to complete construction on budget – hopefully without unearthing dinosaur remains in the process.

Every day lost can mean thousands less to the bottom line and can even put the entire project in jeopardy especially where a sunset date kicks in or the market abruptly changes (been there and it's not pretty).

Time is money and in brownfield development time really is of the essence.

Further compounding the need to push harder to reduce timelines, developers typically run many processes in parallel. The higher the developer's risk tolerance and as available cash flow permits, the more work is undertaken on the presumption the development will move to the next stage. This means developed design and planning work may be undertaken during the conditional purchase period, building consent documentation is undertaken before resource consent is granted and design for the latter stages of construction occurs well after site clearance and foundations are laid.

All this adds to uncertainty with an increased likelihood of variations, modified briefs and additional work required to figure it out under compressed deadlines.

There is a lot to do, a lot of uncertainty to navigate and the developer depends a lot on others to get this work done. This usually results in pressure orientated situations where consultants and contractors ability to deliver are put under high stress and scrutiny.

So how hard do you push people?

I say to the limit of their contract or brief and then push them beyond that if the project is in jeopardy or they have not delivered.

This may not win you many friends if those who choose to take on this work can't keep up. However, if your pushing is the difference between success and failure, those who cannot keep up should not be allowed to derail the project.

There is a lot of money at risk, whether it is a private developer's, the corporate shareholder, the financier or the taxpayer. The project is only as strong as the weakest link. If the weakest link takes a week longer than scheduled to do something that can have significant repercussions down the line.

Development is hard enough without unnecessarily waiting around. There is simply too much at stake, including future fees for the consultants and contractors involved.

It is a tough line to take but in my experience it is an absolute necessary one for even basic development projects to get over the line. Either get with the programme and do what you promised or don't become a willing participant in the first place.

Therein lies part of the problem; some take on roles and responsibilities, contract and consult beyond their capacity to deliver to a developers expectations. Too often in New Zealand they over promise and under deliver. Many are let off the hook because there are limited alternatives. Worse some will expect to meet their promises through non-client instructed variations.

My approach to someone who is out of their depth is to not let their commission drag on, potentially slowing down a project but simply to amplify the pressure until they either figure it out and perform to expectations or crack and I am forced to use alternative resource.

I don't differentiate whether it is an internal department, an external consultant, a contractor, a direct report, a panel of decision makers or even myself. I haven't swayed from this approach in property or business development whether it is working for myself, a private developer, a not-for-profit or a government department.

I have actually learnt this approach from private developers, boards and high level government decision makers.

Interestingly in my experience it is easier to push professionals in the United States as they appear to have a much more competitive and less complacent mind-set – they also are not afraid to say when you have overstepped the mark and are similarly much more legally literate. In Australia, it seems more people will simply say no – that helps prevent over promising in the first place.

Don't get me wrong, there are many great consultants, contractors, and professionals out there who know how to push themselves to meet the deadlines required for successful development projects. I keep on learning from the best of them – and if I am in the client position typically rehire them.

I also acknowledge the full frontal attack is often not the best approach and I learn (and can learn a lot more!) to improve upon that.

Here are 10 tips to help maximise your ability to push those involved in the project hard to make the project work:

1. Set clear expectations with consultants and contractors. If it's going to be highly variable with multiple processes in parallel, make sure the project group is forewarned and dedicates resource appropriately. Consultants should be aware of implications of non-performance on the entire project (not just their fee). No one has to accept to do this work for you, but make it clear if they take it on, it could be a bumpy ride. Whereas you will set consultants tight delivery conditions, some of the best consultants will actually

insert penalty clauses if you subsequently try to expose them to conditions beyond the expectations you set.

2. Try and keep the eventual construction contract as tight as possible, regardless of the uncertainty. This may mean separate out the contract to its highly variable stage or components and then it's more stable stage with tighter conditions.
3. Exceed consultants, contractors and employees expectations for you getting back to them; practice what you preach. Be clear with direct reports to push back on you if they are out of their depth. Make sure you have top down agreement within your business for appropriate and timely resource to be dedicated to your project in other internal departments. You do not want an internal resource outside of your direct control to slow down your side of the agreement.
4. Ensure the decision making process is transparent (as much as possible). There is nothing like a seemingly left-field decision to derail a project team's motivation. If such decisions are likely, let the team know accepting this changeability is a condition of the role.
5. Ensure as many ground rules are set before the project team gets underway. In a private development setting, this can be quite basic – we need 20% Return on Cost or there is not a project and nothing more for you to do. In a government or not-for-profit setting the ground rules can become very difficult to establish and subject to non-monetary considerations. Even so as developer for these types of clients you need to push the top decision makers to get firm upfront ground rules.
6. Make sure all your development processes and programme management are up to scratch. Monitor the project timeline like a robot so you know the instant you need to push harder.
7. Pay for performance, on time and as per contract. It is a double standard asking for high performance and then not paying in a timely manner.
8. Contract with incentives to improve the critical path – you will likely need any time buffers later on. Reward over-performance – this may be as simple as preferential treatment for future projects or other roles. This is a common expected outcome for a private developer (i.e. you typically stick with someone who over performs for you). It is more difficult to achieve when formal corporate or government procurement processes are involved but important to pursue.
9. Don't let yourself become complacent and let others think your complacency gives them a chance to slow down and break their commitments. It is very hard to turn that around without losing 'friends'.
10. Be prepared to step in if you push too hard.

My thinking it is better to push very hard early to meet what is necessary to make the development work rather than get into a messy litigation later when contracts are not delivered. However, it is exciting to see when consultants and contractors do rise to the challenge and despite the odds and pressure make the project happen – a successful project will typically help their careers and bank balances as well!

Ironically so can dinosaur bones.

Identifying Business Opportunities for Professional Services Firms January 13, 2014

Identifying Business Opportunities for Professional Services Firms

To identify new opportunities that exist for your professional services firm a business development manager (BDM) may employ idea generation techniques. The resulting output is a business case describing each opportunity accompanied with research, costs and potential risks. This can then be used by executives of the firm to consider for implementation.....

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Thinking Differently, Finding Opportunity – One Simple Way January 12, 2014

Thinking Differently, Finding Opportunity – One Simple Way

I found myself at the park during the holidays looking back toward the houses on my street. Each house has a characteristic ugly TV antenna rising from the roof line. There is a very steep hill with houses rising up it so in some cases the TV antenna is smack in the middle of the view for the house behind.

That is every house has an antenna on the roof except mine – more about that later.

Development is typically about looking at multiple options for a site to extract the one that will create the most profitable opportunity Finding the best opportunity requires substantial analysis helped by experience, research and a little bit of thinking outside the box. Many developers by their very entrepreneurial and innovative nature seek to think outside the box, to find the new type of product that will sell out quickly and generate the greatest return on cost.

Yes there is substantial risk with trying something different and the uncertainty of success will simply be too great for many to try. However, for those that do and where the trial and error (hopefully not too much!) leads to something that really takes off the rewards are significant.

Written by two Boston Consulting Group experts in strategic thinking, the book 'Thinking in New Boxes' found its way on my holiday reading list. They look at a number of ways to reframe your inherent biases, to doubt what you think should be and to explore alternative scenarios. This is all with the aim to prepare for and take advantage of prospective future business opportunities. For the strategically minded this book has a comprehensive process for executives leading a company to think differently.

A key part of their process involves 'divergent' thinking – that is exploring new ideas without rebuke. The rebuke or critique comes later as the 'convergence' phase when you must explore what is fanciful into something realistic.

One simple way to explore new ideas and think 'divergently' is to join words both from within your industry and other seemingly unassociated industries together.

For example in development you may chose to select all the different types of buildings and cross reference with concepts from another industry – say aviation. Or you could choose to cross reference with verbs or types of customers or something completely random. This will create a list of new linkages – some of which will make no sense but many should prompt different thinking in a slightly new (and hopefully profitable) direction.

From the resulting list you scan for any phrases that sound logical and warrant investigation for their commercial merit.

For example, lets take some word linkages from two basic word lists in real estate and aviation.

List one (Real Estate): Apartment, Office

List two (Aviation): Check-in, Flight-path

Combining these words generates the following matrix
– Apartment Office
– Check-in Flight-path
– Check-in Apartment
– Check-in Office
– Flight-path Office
– Flight-path Apartment

Now some of these linkages will be meaningless and some will mean more to those in development than in aviation and vice versa. However, lets take a look at four examples from the list:

1. Apartment Office – whilst not a particularly novel idea there has been a resurgence of live-work condo/apartment development in recent years.

2. Check-in Office – at some point in the past someone thought of combining check-in with an office environment for business people – ala frequent flyer lounges.

3. Check-in Apartment – could this be something developed by airports for the elite ? It could be place to stay even more accommodating than frequent flier lounges – and certainly more children friendly. Airport hotels often accommodate transit passengers but what if they were internal to airport security (and revenue for the airport) for the most discerning of travelers. Remember critique comes later !

4. Flight-path Apartment – this sounds like a stupid idea right? Well maybe not. Some house subdivision developers, who thinking differently, have made living next door to the runway their number one sales pitch. Examples include the 'house and hangar' developments Pukaki Airport in New Zealand and Skyranch in Arizona, USA.

So simply by linking words can open up a world of new ideas, puts you in a frame of mind to think differently and for some, may create significant opportunity.

Too easy you say?

Well sometimes its the discipline of actually making the lists and writing down the resultant combinations that is the first problem. However, help is at hand via this basic excel tool we developed – free for you to download and use (its very simple!).
www.aenspire.com/IdeaGenerator-aenspire2014.xlsx
Simply input some of your industry key words, borrow a few words from somewhere else and review to find your next big opportunity.

Back to the antenna on the roof. When I purchased my house, I did not even think about looking to see if there was a TV antenna but alas when we plugged the television in on our first night ready to relax after a big day moving furniture, there was only one channel: 'No Signal'.

[Readers, New Zealand does not have typical cable TV, and whilst there are satellite operators and I had a dish on the roof below the ridge-line, I didn't have nor want a subscription – remember don't critique!]

The easy option was to call up a specialist and get them to sort out a new antenna on the highest point of my roof – like all my neighbors. However, putting an aerial up there would cause me a little bit of grief with my cross lease neighbor as it would impact on their view. I did call a

few aerial installers and their solution was to buy a converter and stick to the satellite dish, however I wanted the full HD that digital signals now provided.

So I brought a big outdoor aerial from the local electrical store, pointed it in the general direction of everyone's roof top aerials and placed it between the joists in the subfloor space under my house. Every channel works crystal clear!

It was only after the resident renovator expert at work said 'that's a bit different I would never think of that, roof space maybe but not stuck under the house' that I actually thought I had done some of my very own 'thinking differently'.

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Follow Up, Follow Up, Follow Up January 11, 2014

Follow Up, Follow Up, Follow Up

A significant part of a managers day is following people up. This is especially so in property development and business development.

The ability to extract what you need – whether its confirmation from a client on new business or a report you have commissioned from a consultant to meet a deadline – is a core skill. It is usually fairly simple, just a note or a phone call to check-in and see how things are going. Possibly a little less pressure and more subtle when you are asking of your client, and conversely more pressure where you are the client asking of others whom you are paying. I have found to get things done, prompt follow up is critically important.

So I see the ability to proactively follow up as one of the fundamental responsibilities of a good development manager.

In recent years I have interviewed a large number of people for roles. The roles are not limited to generation smartphone (or whatever the suffix is nowadays) and are typically highly competitive with a range of candidates in age and experience.

Hopefully I am not getting too old and out of touch with common day communication techniques but I find it interesting to note that there is almost no direct follow up from candidates anymore.

Possibly some follow ups are taken by recruiters and never passed on, but there is nothing stopping a candidate emailing me direct – they all get a business card and are never told not to contact me.

It is so rare to receive a follow up note from as interviewee; yes one who still does actually want the job after the interview! Rarer still is the candidate who follows up the same day as the interview, and then keeps in contact with further follow ups (which can range from asking 'how the selection process is going' to emailing something that may pique my interest like an innovative property trend from overseas or the like).

I just googled 'follow up job' and number one on the search list was this article, so I am at a bit of a loss why there is so little follow up.
http://jobsearch.about.com/b/2013/12/19/how-to-follow-up-on-a-job.htm

For something so simple, candidates who follow up proactively and directly, stick themselves well above the pack. Yes you may be the bees knees and think employers should be following you up not the other way round, but following up after an interview has made the difference to getting the job or not.

Following up is after all one of the things a successful candidate is going to be doing an extreme amount of when they work in property or business development.

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Dear Consultant – I'm Happiest When You Read My Mind! December 22, 2013

Dear Consultant – I'm Happiest When You Read My Mind!

Over the last 20 years I have been on both sides of the client-consultant relationship.

The majority of this time I have been, or acted on behalf of, the client in property and business development. The minority of the time I have acted as consultant in roles covering information technology, property and business development.

Regardless of which side I have been on, I have had my fair share of experience with consulting across the private, public and not-for-profit sectors in New Zealand, Australia and the United States.

From the clients perspective I have distilled the success of a consultant down to one key ability.

The ability for the consultant to read the clients mind!

This may surprise the most disciplined of us who pride themselves in writing detailed consultant briefs to extract exactly what they think it is they want to know. However, when I am the client exploring relatively high risk and innovative work, the consultant offers me the most value when they can think ahead and tell me what I need to know, before I have to figure out I need to know it.

I am happiest when the consultant is proving to me what I need to know and then giving me solutions or answers in a form I can easily use.

Consultants who can seemingly read minds get my repeat business.

All too often as a client I am underwhelmed by what consultants present. Perhaps consulting follows the 80/20 rule like real estate agency, where 80% of the value/money/production is made by the 20% top performers. Whatever it is, there are a number of attributes that I believe are indispensable to being a great consultant. These attributes give me the impression the consultant has the ability to read my mind:

Communicate instantly, early and often. Communicate to the client before they have a chance to formulate an opinion of what they think they need to know. Don't leave the client guessing if you know your stuff or not or are even interested – certainly don't assume you are the only consultant they are going to contact.

Don't give the client time to discuss their requirements with your competition. Even in a formal procurement process make sure you communications are spot on. Once you pass a formal procurement selection process, ensure you cement your credibility with superior communications. Regardless of how busy we seem, clients like me need to be communicated with instantly, early and often.

A recent example is when I asked for two valuation opinions on the potential sales pricing and velocity in a particular market. One consultant came back to me instantly with a yes, thanks we will get straight onto it and the expert consultant will be in touch. That was great however the 'straight onto it' didn't come for another week and by that time the other consultant approached had already given me a list of options to choose from, their delivery dates and costs and we had

negotiated the brief. The first consultant's eventual response served to confirm pricing and the brief of the other. Both had similar expert abilities, it's just one did a lot better on communication.

Know the target audience. The client has instructed you to consult, lets say on a research project. A key first step is to establish exactly where this information will or could end up and who is likely to read it. Further how is the information going to be presented up or down the food chain?

Very few consultants are good at this, many simply make assumptions and run the risk of providing a very good report, but in a basically unusable format for the client's real information transfer requirements.

For large corporations and especially government departments, the client who asks for the report is very often only one of many who will use the information within it. Clients are happiest when the consultant can provide their advice in a format that is easily transportable within the clients organisation, whether it is up to boards or down to operations staff. If the client gives little guidance on this and you have to make an assumption, then choose to present your advice in a few alternative formats (without using this an as excuse to charge more).

On receipt of multiple formats, at least one of which can be forwarded to the 'boss', the client may think you have simply read their mind.

An example where anticipating the reporting requirements of the client became very important was when I was consulting on Internet Collaboration software. It was only after a serious amount of trial and error and learning from how my clients presented the information I gave them that I gained an insight into how valuable knowing the audience requirements actually was. In many cases my client was a project director for a hospital or prison project and to get my software approved for use often required board approval. The information I gave to my client, the 'project director', was rather detailed and a lot more about the how the software can be used to reduce cost and run a project rather than the why a board should consider approving its use.

Initially I relied on the project director to take my detailed information and prepare their own presentations to their boards. However the information was complex and the project director had done their own unskilled or at least rushed job of the presentation – if I was lucky I was called in to save my fee and present directly to the board.

I subsequently learned to change tact and presented my clients, the 'project directors' both detailed proposals, showing the how you do it (and I made it very specific to their project) and also board presentation ready bullet point value propositions – something they could simply forward on to their decision makers.

There was some additional work upfront, but it effectively meant a lot less time to secure the job and a higher chance of success. Working on the client side in the government, the ability for consultants to provide effective summaries and summaries of summaries in presentation ready format makes presenting the consultants findings to executives, committees and boards for decisions all that much easier.

Always include next steps. Don't leave it up to the client to figure out where they may have to dig deeper to learn what next to do. Don't assume what the client asked for is all the client actually needs. Typically for exploratory briefs, what is required to be known is as much about

discovery based on the consultants first report as anything else. Next steps helps prime the client to think 'this consultant has read my mind on what we now need to explore'.

Add that little bit extra. You have prepared an excellent report for your client, it is based on a wealth of experience by experts in their fields and follows all appropriate procedures for ensuring accuracy and minimizing liability. It is the perfect report, just what the client asked for, however it does nothing to distinguish this consultant as providing additional value from any other consultant.

Whether it is the most regular forms of written advice like a geotechnical survey or a valuation, it's the bit extra that can make a very happy client – as soon as the client thinks I should have thought of that, they then actually start to own the idea and then reinterpret this as the consultant reading their mind!

One example where the consultant did a good job in this regard was when in a quite basic report they added a couple of lines under each heading that looked at the research in relation to the context of our overall business objectives. They were never asked for this opinion and disclaimed it heavily, but those few lines set the consultant into a new league of being able to offer additional value to our work. All the consultant had done is compared our local approach to best practice in the UK and highlighted the differences and made a logical albeit subjective position on the potential financial implications.

That going the extra mile made me feel like the consultant had read my mind. They put into context all the issues we face and how we should attempt to qualify and quantify a solution.

Make it easy. When I was trying to indoctrinate New Zealanders' into professional membership with the Royal Institution of Chartered Surveyors I was faced with trying to consult candidates through a very complex range of options to ensure they had the best chance of success. It was unnecessarily difficult and it appeared the more options you provide candidates the less their ability to decide which one to pursue – the end result being less new professional memberships sold.

The solution we found was simply make it very easy for our clients. Rather then give clients endless options and an insurmountable amount of work to figure it out, I literally helped clients put their CV together, found the RICS pathway that best fit their experience and sorted out the clients best way to membership before advising them. The work and time exhausted on endless sales calls and followups for candidates to figure out a complex system on their own much was much better channeled by more upfront one on one work. This resulted in a significantly shorter sales conversion oeriod.

The other side of making it easy, is to make sure highly technical and data driven information has a plain English summary directly related to the objective included. There have been a number of times as a client I have been lost in the consultants detail with no idea how to link this information to a solution for our business objectives. Typically the best thing the consultant can do is break the information down and then link each component explicitly to the solution the client is searching for in a single sentence.

When a client can easily work with the information the consultant has produced, the client feels as if the consultant is on the same wavelength. The client is happy, it's as if the consultant has read their mind.

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For consultants ESP or mind reading may be nothing more than taking the extra time to understand your client, asking how they have to on-present the information, not limiting your yourself to industry assumptions, giving that bit extra to make the clients life easier and finally give them some insight where to go next.

A happy client is typically a well paying client. It is more than likely that the consultant who can read their client's mind will be the recipient of the client's next fee paying assignment.

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Development Management & Value December 15, 2013

Development Management & Value

When interviewing for junior development managers I have come across a consistent way of measuring whether the candidate has potential to be a good development manager.

The question is simple: “Imagine this office building [the one we are sitting in for the interview] is up for sale and you are to develop it into apartments, how would you evaluate this?”

The answers can range significantly but the point of the question is not what the solution could be, the point of the question is to evaluate how the candidate thinks about development. There is one key aspect of the answer that I listen for and if I don’t hear it fairly early in the answer I invariably think the candidate may be better positioned to a life in project management as opposed to development management.

Value.

The wrong way to answer the question is this: “well I would get an engineering report on the structure, and decide on a construction method, it will cost $2500 per meter, the building has 3000m2…..”

The development manager answers something like this: “Ok, I look at what apartments are selling for in the area, at $5500 per square meter, and assuming 5 sales per month we can afford to pay $4500 for this building so then we look at construction costs……., however if we do this we can increase value by $300 per m2…..”

An aspiring development manager gets that it’s all about value. Costs are just one side of the equation, the sale price the other side, concentrate on only one and that will invariably come at the expense of the other.

A cost estimator or quantity surveyor can prove current costs and a valuer will give you a historical estimate of potential purchase price, but the development manager is the one you has to juggle both of these in a plethora of other variables to maximise value.

Good development managers essentially find the most value for the least cost.

When candidates volunteer information on marketing *and* keeping costs down *and* aiming for a target price *and* describing development as a massage of inputs rather than a singular focus on costs or prices then that is when their potential as a development manager is cemented in my mind.

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