



# **PROPERTY SYNDICATION PROGRAM**



#### **Image Property Investments**

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**IMAGE**  
PROPERTY INVESTMENTS



## COMPANY PROFILE

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### **Image Property Group – a fresh approach**

For over 13 years Image Property Group Managing Director Phil Spinella has worked with some of the largest Real Estate and Property Developers in Melbourne.

This vast accumulation of experience in the sales, marketing and negotiation of property & new residential developments, convinced him there was room for much improvement. The result is **Image Property Group** – a firm with fresh ideas and range of services not offered by any other group in the Melbourne property scene.

Image Property Group has assembled all the professionals necessary for a time saving, cost effective, highly efficient range of services in one convenient, hassle free package. Our alliance formed with associated service groups that include advertising agencies, financiers, building designers and planners, enable us to broaden the spectra of opportunity by compiling a complimentary report on maximizing realizations when assessing the market value of a property.

Image Real Estate's **Project Marketing** and **Management Division** is not just for the bigger developer. We look after the not-so-large projects as well, with the same attention to detail, depth of experience and expertise that ensures the smooth transition from the concept planning stage right through to the final construction.

**Image Property Investments** is the investment arm of the group which conducts regular seminars where first time investors are shown the benefits and the pitfalls of property investment, to create wealth and reduce taxation liabilities. These seminars are conducted by some of the best advisors and specialists in their field, ensuring worthwhile information and sound advice.

For forward thinking, fresh ideas and new levels of professionalism in property sales and development, fast track your results by choosing **Image Property Group**.



## INTRODUCTION

Image Property Syndication Program (PSP) provides a unique and affordable vehicle for everyday investors to become involved in a property development from a base level and effectively wear "The Developers Hat".

Our (PSP) therefore enables each member to acquire property at below current "retail" prices and retain the profit margin as part of the equity in that property.

Although the concept of property syndication is not new, we believe our system works best and provides safeguards to ensure the protection of each members investment.

The collective experience and professionalism of our associated professional groups which include builders, designers, town planners, surveyors, financiers, accountants and solicitors has culminated into many successful projects over the years. To help you ascertain the nature and quality of these projects please ask one of our friendly consultants who will gladly provide the details of a development nearest you.

In order to proceed with being accepted into a syndicate, all applicants must be financially qualified by one of our team members. Our office can arrange for an in house assessment at a time most convenient for you.

Available for your perusal, is a flow chart detailing the mechanics of our property investment concept.

**Build wealth upon the very foundations that you help lay.**

### STEP 1 Syndication Structure

A Unit Trust Company is set up in the names of all syndicate members. Share holdings of the company are issued as per the percentage of ownership within that company by each shareholder.

- Members elect a Director(s) of that Trust company.
- **NB: Members using Superannuation funds as part of their interest in the company can not be nominated as a Director of that company.**

### STEP 2 Funding

Each unit trust holder is responsible for providing a cash investment combined to equal 30% of the total development costs.

These funds can be contributed from personal savings, secured funds, personal loans, superannuation funds or a combination of any of the aforementioned.

- **NB: Members using Superannuation funds must have a self managed Super Fund set up.**  
**Our professional associates are able to assist with the set up of such a fund upon request.**
- The balance of funds (70%) are borrowed against the security of the subject property by the trust company. The approval process can be achieved without the lenders request for financial statements or proof of serviceability documents.

### STEP 3 Acquisition

The unit trust enters into a contract of sale for the purchase of the land, signs building contracts and specification for the construction of dwellings, subject to and conditional upon finance approval.

- A deposit equal to 10% of the land purchase price is paid to secure the site with a further 5% of the construction costs paid to the builder as per building contract. The deposit monies are derived from the 30% invested in to the company trust. The balance of the 30% is used to fund land settlement.

### STEP 4 Sales & Marketing

Upon building permits being granted for the commencement of construction, the dwellings are listed for sale through Image Real Estate at the reserve price as set out in the property report provided to each syndicate member prior to enlisting. Selling documentation i.e. : Contract of Sale is prepared by the acting solicitor.

- At this point any member choosing to retain a particular unit within the development is able to do so simply by signing a contract of sale for the subject unit. Members choosing to retain a particular property must either amicably decide on what property each member is to retain or go in to a ballot system that decides the selection order. A member is able to purchase more than one dwelling from the development only once every member has had the opportunity of retention.
- An advertising schedule is prepared and implemented to initiate sales on remaining dwellings.

### STEP 5 Loan Serviceability

Funding to provide for interest repayments during the construction period, is included in the development costs and will be deducted by the lender as required from the loan account.

### STEP 6 Settlement

Upon completion of the construction, individual titles are issued for each unit with settlements taking place by the new purchasers.

- Profits are distributed to shareholders.
- The trust company is dissolved .
- Look into next venture.



## POLICY

At Image Property Group we pride ourselves on building life long relationships with all of our clients through the high level of service we provide. This service is not only set in policy but also measured regularly by key indicators.

### 1) Integrity

The word Integrity is often a loosely used term when describing the service of a large number of Property Investment & Real Estate Companies that operate through out Australia.

Our pledge to all of our clients is that ***'we will not place you into any property investments in which we would not invest in ourselves'***. Therefore we take a shareholding in the majority of our Property Syndicates and have a vested interest in the due performance of that investment.



### 2) Communication

The success of any business – client relationship involves keeping the lines of communication open at both ends. At Image, we strongly encourage our customers to keep in regular contact with us and willingly provide mobile phone numbers, home numbers and electronic mailing address's of all company executives. Updated reporting of development progress is delivered to each investor on a stage by stage basis.

### 3) Commitment

The success of our development ventures directly reflect the commitment we undertake to ensure that shareholders returns are achieved as anticipated.

Our staff maintain the lofty standards set by adopting a policy of regularly attending training programs to optimise the level of performance.



### 4) Rewards

Upon completion of your first property development venture, you will be offered V.I.P. status in all other Image property syndicates and gain wonderful rewards by initiating real estate transaction within the group. For example, by you identifying a suitable development site that is acquired by one of our companies, we will reward you with a holiday package to a great location within Australia with airfare & accommodation for you and a partner. The introduction of a buyer to one of our projects will also qualify you for holiday **rewards**.



### 5) Celebration

In keeping with the true Aussie tradition, Syndicate members are invited to attend a cocktail party held to celebrate the success as each project is completed. It is at this gathering that members receive payments of profits & rewards generated from investing in a development.

## PROPERTY SELECTION CRITERIA

### (A) LOCATION:

We have identified the medium ring suburbs of Melbourne (20 km radius) as the typical locations we target for acquiring suitable land for our property developments.

Strategically locations are assessed on 5) key elements:

- 1) Proximity to C.B.D
- 2) Proximity to main arterial roads ie: freeways, by-pass, City links.
- 3) Proximity to public transport ie: trams, trains, buses.
- 4) Proximity to shopping centres. ie: shopping strips, major centres, supermarkets
- 5) Potential for capital growth: (determined by historical performance against surrounding suburbs).

### (B) DEVELOPMENT TYPES:

When assessing the viability of suitable development sites within the location criteria's specified above, we must also consider several key aspects in the building types in order to accurately estimate the likely construction costs when under going a feasibility assessment.

The 5 key elements used in which to determine the construction suitability are:

#### 1) Domestic Construction:

Apartment style buildings that are developed over multi levels (more than 2 stories) usually fall outside of the classification of a domestic building project and therefore will involve the appointment of commercial contractors that are members of building unions. The unpredictable nature of the various Building Unions could mean major delays in the construction process, putting a dent in the budgeted holding cost and ultimately effecting the profitability.

#### 2) Building types:

A project that has a large proportion of low-set or single storey homes will always be seen as a 'preferred development option' (not essential) as opposed to a development of predominantly double storey homes. Single level dwellings broaden the target market of potential buyers by providing the opportunity to market the product to the senior citizens.

An increased enfences on safety around the building site, has meant that additional procedures add costs to the construction of double storey homes to meet those safety requirements. Ie: safety nets over stairwell voids, perimeter scaffolding, roofing scaffold.

#### 3) Site Undulation & Stability:

Level building sites are preferred over land that has excessive fall, due to the added cost and time required to construct site cuts, retaining walls, agricultural drains, and drainage pits required to satisfy building regulations. Similarly, sites with soil conditions classified as unstable or filled require reinforced foundations which must be allowed for in the costing.

#### 4) Site Vegetation:

Careful consideration must be given when assessing development sites with an abundance of large trees & shrubs. Many municipalities will stipulate that native trees are to be retained in a development and will require root protection barriers as a condition of the planning permit. Similarly, cost considerations need to be addressed when identifying trees that are to be removed from the site to make way for the development.

#### 5) Drainage Discharge:

Identification as to the whereabouts of the legal point of discharge to a development site is a critical element in the feasibility aspect of the project. Common in the older Suburbs, the legal point of discharge may often be located several hundred meters from the subject site and require services to proceed through neighbouring property easements. This will add a significant amount of cost to the project particularly if drilling under roads or crossovers is required along with the reinstatement of private property assets. Most development sites require on-site stormwater detention systems to discharge water run off appropriately.





## FEASIBILITY CRITERIA

When analysing the feasibility of a potential development there are two critical ratings that must be achieved:

### 1) Return on Shareholders funds

The total amount of capital raising required from all shareholders/unit holders must equal 30% of the total Development Cost. Effectively meaning that the remaining 70% of funds required to complete the project are borrowed. Hence the Loan to Value Ratio (LVR) is equal to 70%.

From the capital contributed by each shareholder/unit holder we aim to net a return of between 40% - 50% within approximately 12 months.

Example:	Land Purchase (purchase costs, holding costs, fees & levies)	\$500, 000
	Construction Costs (including demolition, holding costs)	\$550, 000
	Total Development Cost	\$1,050, 000
	30% capital raised by investors	\$315, 000
	Total realisation from sales	\$1,250, 000
	Selling Costs (Agents commission, advertising, conveyancing)	\$37, 500
	Gross Profit	\$162, 000
	G.S.T.	\$14,727
	Net Profit	\$147, 272

### RETURN ON SHAREHOLDERS CAPITAL

$$\$147, 272 \times 100 / \$315, 000 = 46.75\%$$

### 2) Return on Total Development Cost.

All major lending institute's borrowing criteria require us to demonstrate that a development is feasible by estimating the expected Return on Total Capital Outlay prior to project funding being approved. Therefore for a project to be considered viable we must demonstrate that a profitable return in the order of 15% - 17% is achievable

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### RETURN ON TOTAL DEVELOPMENT COST

$$\$162, 000 \times 100 / \$1, 050, 000 = 15.43\%$$



## FEE FOR SERVICE

### **Project Management Fee:**

A project management fee equal to 2% of the total development cost is to be paid to Image Property Investments by the Property Syndicate/Unit Trust Group. This is to cover the project servicing requirements listed below.

1. Negotiation of Site Acquisition
2. Establishment of Syndicate Members
3. Loan Approval from Lender.
4. Appointment of Specialised Professionals (Building Designers, Engineers, Surveyors etc.)
5. Lodgement of Plans
6. Negotiation of Building Contract
7. Preparation of Site (Demolition)
8. Preparation of Specifications
9. Organise required legal documentation
10. Over see tender process to select builder



### **Sales & Marketing Fee:**

A selling commission equal to 2.5 % of the sales price and marketing expenses of \$1000 per property is paid to Image Real Estate for the marketing of the project.

1. Prepare advertising schedule
2. Organise artist impression
3. Design Artwork Layout
4. Order For Sale board
5. Order Colour Brochures
6. Book Advertising
7. Conduct Open Houses
8. Instruct solicitor to prepare Contract of Sale
9. Internet Listing
10. Negotiate Sale



**NB: Advertising is charged only on the actual amount invested.**

## FREQUENTLY ASKED QUESTIONS

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**Q: Am I able to sell my unit holding within the Unit Trust Company before the completion of the project?**

**A:** Yes, if you sell your unit holding during construction, a substitute purchaser may acquire your share provided that the associated costs in reproducing the required legal documents are covered by you.

**Q: Can I take up a unit holding with a partner?**

**A:** You can have up to 4 individuals or 2 companies as partners per unit holding. We can also accommodate up to 8 individuals provided that one of the partners is entrusted with power of attorney for all signatory requirements.

**Q: What if we can not sell each unit for the price we want?**

**A:** If market conditions alter, making it difficult to dispose of the development properties, the Unit Trust Company may decide to lease the properties for the short term and distribute rents & profits to members until an acceptable sale price can be achieved.

NB: It is important to note that unlike investment properties acquired at rental value, a property held by the Unit Trust would owe the group less than purchased market value and therefore the expected yields would be much higher.

**Q: Will I have to make repayments to service the loan during the development from my own personal funds?**

**A:** All loan repayments are debited directly from the company's loan account. No repayments are required from individual members' personal funds.

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IMAGE PROPERTY INVESTMENTS  
IMAGE PROPERTY DEVELOPMENTS

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