

Media Release

When discussion first opened with Tim Wright his first words were 'as I see it the facts are, in a waterside location in one of the fastest growing areas in Queensland, with one and two bedroom apartments sub \$300,000 and three bed apartments early \$400,000, all in a quality development with apartments facing to a spacious resort landscaped pool oasis, only 100 meters from the bay, is great value – both for investors and owner occupiers'. But more of that latter as we research into a residential bayside development with a point of difference.

The Quest for Value

There is no doubt that property investors in today's market are vigilant for value and underpinning yield and long term growth. Of course, in the GFC, one has to be vigilant that cheapest is often by no means best and that there is a real difference between 'cheap' and 'value'. Let us explore some key criteria of sound property investment and a development in the northern suburbs of Brisbane being undertaken by an experienced developer who has a unique and innovative formula.

Criteria for sound property investment

Over the last few months it seems there is a real strengthening of the property investor market and hence evaluation of what makes a good property investment needs to be clear in everyone's mind. Some of these from our research clearly include the following.

Firstly, the age old adage of position position position will always apply to real estate. That will never change. However the choice of location to optimize both capital and rental growth opportunity needs to be clearly evaluated. Even in today's market clearly evaluate the location and growth fundamentals.

Secondly, transparency. All indicators are that it is no better time to build – construction costs are at an all time low. So if you can clearly see that the relationship between purchase price of your property investment and construction cost is sound then you will essentially know you are getting value.

Thirdly, where in the economic cycle is the investment going to be purchased. For instance, if you can lock in construction when construction price is low and have product on the market on the upswing then you are onto a winner. Of course if you believe that the world is totally 'had it' financially then you should be putting your money in the proverbial shoe box under the bed. But it is

not – like all times before human nature will make it bounce back. Research by the likes of the Bill Morris and Midwood Investment on property cycles indicate that a 2011 / 2012 upswing is looming. Next year is 2010.

Fourthly, what is happening in the market as to supply and demand. It seems hardly any new developments are coming out of the ground. Developers cannot satisfy construction financiers as to presales levels required or enough capital to launch development. Supply is being soaked up and invariably this leads to a surge in demand and prices rising sharply. The migration of people to the south east corner has not abated and all the statistics point to a real supply shortage. It seems now is the time to get into property.

BayLife and Tim Wrights Property Maximiser

Recently we researched the latest Tim Wright development being his 92 apartment BayLife at Deception Bay. Tim Wright is a very successful developer having just completed the first class quality Ramada Hervey Bay and in more recent times the largest inland residential marina at Mildura, just to name a couple. Deception Bay is now seen somewhat as a jewel. Being right on beautiful Moreton Bay, at the southern end of the Sunshine Coast growth corridor and in between Redcliffe and the burgeoning North Lakes. Deception Bay has had a growth rate of 20% per annum which certainly makes it a growth hotspot. The current values at Deception Bay as a 'water side suburb' make it exceptional value. Infrastructure with reference to shopping, schools commercial and community facilities and sporting facilities such as golf are outstanding and all there. The complete foreshore redevelopment, access to the M1 motorway, the new bridge across to Redcliffe all make the formula right for investment. The fundamentals of location are all there.

So what does Tim Wright have and what is he doing differently that is so interesting. As to location the site he owns on which to construct the 92 one two and three bedroom apartments is just off the water. Position could not be better. Close to a beach, shops, facilities and transport. Criteria one of position is satisfied. It is in his innovative Property Maximiser structure that is very interesting. What has enabled him to stimulate sales, offer value to apartment purchasers and raise capital to get BayLife underway in a very difficult economic environment. What is the formula?

When Tim Wright was asked that question he said ‘the real point of difference with Property Maximiser is collective investment enabling each investor to get a freehold apartment at exceptional value. With BayLife all financials and all mechanics are completely transparent. You can clearly see you are getting value. The Property Maximiser structure goes a long way to completely ‘de-risking’ property development for all involved as a prerequisite is that we pre-sell all or nearly all 92 apartments’.

He went on to say, ‘essentially each apartment purchaser enters into a contract to purchase their apartment at 10% off valuation provided that they then invest 20% of the purchase price into a prospectus lodged with ASIC. Those funds are then used for development of BayLife. The investment is in lieu of paying a 10% deposit. We have done this structure on a number of previous projects and it has worked brilliantly, Wright said. All the investment funds are secured by mortgage on the development and only drawn down under very strict criteria with an independent trustee in place. The apartment purchasers who are also the investors get 6% per annum paid monthly on their investment so if they borrow against their equity in their own home or other investment property the debt is serviced. And when they come to settle, because it is pre-agreed with the construction financier that the investment is deducted from the apartment purchase price, the apartment purchaser has their 20% in the purchase. All straight forward and simple and transparent. Essentially the apartment purchaser and investor are repaid in preference to the financier – a very secure position. For all intensive purposes the investor is totally de-risked’ he concluded.

Build Now and Benefit

With reference to commencing construction now Tim Wright said ‘having 92 apartments has enabled me to get economy of scale with a very competitive construction price enabling a well priced apartment to be put to the market. To stimulate presales to get to the required level for a construction financier there is a 10% discount on the independent valuation price. This means excellent value with one and two bed apartments sub \$300,000 and three bed apartments early \$400,000, all in a quality development. Further, the outlook is wonderful with apartments facing to a spacious land scalped pool ‘oasis’.

Innovation and Time Lines

The mechanics and structure certainly seems innovative, simple and secure. The fundamentals as we see it –

- It is all completely transparent and fully disclosed. With Deception Bay having clear growth.

- The objective is to sell nearly all 92 apartments at 10% discount to valuation which de-risks the project for all concerned. .
- Essentially, through a prospectus lodged with ASIC and an independent trustee holding the mortgage, capital is raised by collective investment with each apartment purchaser investing 20% of their apartment purchase price into the prospectus. This is used to develop BayLife.
- When the apartment construction is completed and the title of the apartment transfers to the apartment purchaser (and investor) the investors capital investment is preferentially repaid against the apartment purchase – a very secure position.
- In the prospectus strict pre-conditions such as a guaranteed maximum construction price, project fully funded and relevant approvals all serve to de-risk both the investors and the developer Tim Wright – a win win scenario
- Target is to get the apartments sold and capital raised between November 09 and February 2010. Construction is to commence soon after with construction complete in the second quarter of 2011. Good timing for the forecast property upswing.
- There is 6% per annum paid monthly to investors. This is very secure as these funds are ‘set aside’ upfront – so you do not have to worry if that monthly payment will turn up if you have borrowed your 20% investment.
- The BayLife development is ideal for investors, owner occupiers, young families and those wanting a bay side life. The facilities in BayLife are of resort nature – the pool, outdoor BBQ Palapa, gym, proposed movie theater, self serve café and internet lounge – all to build a real sense of community.

In Conclusion

There is no doubt that those investors left standing from the GFC want to see innovativeness, transparency, clear idea of where there money is being invested, who is running the show and their track record and foremost security. It seems that the Tim Wright BayLife development well addresses all these criteria.

And when you look at it the 10% apartment discount plus the 6% per annum return on your 20% investment is in the order of 60% per annum so this is a great investment.

A good look at the web site www.baylife.com.au is recommended.