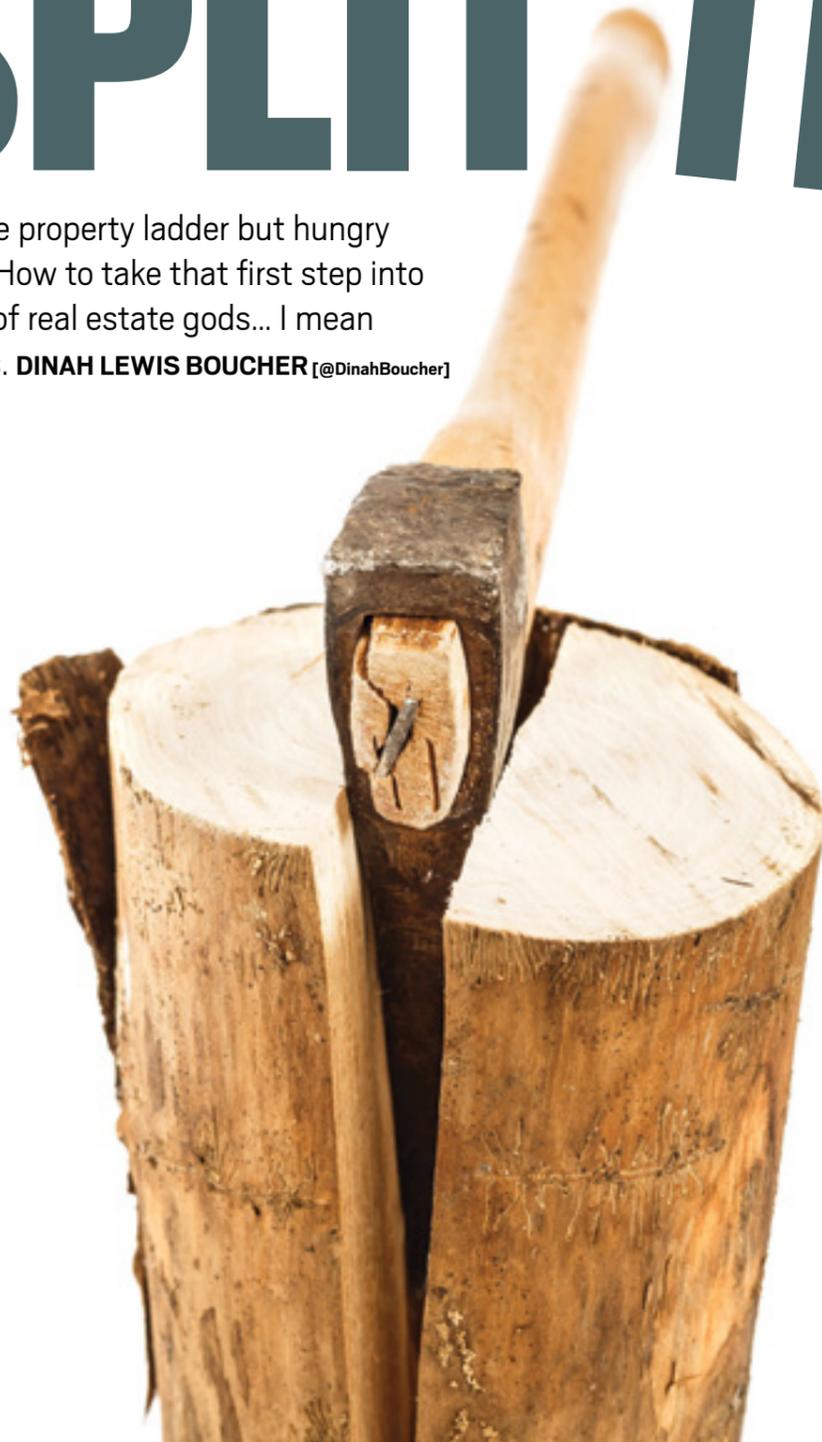


HOW TO COMPLETE YOUR FIRST SPLITTER

Scaling the property ladder but hungry for more? How to take that first step into the realm of real estate gods... I mean developers. **DINAH LEWIS BOUCHER** [[@DinahBoucher](#)]



Tackling your first subdivision deal is often regarded as that next grand step for many active property investors. It's the first foothold in to an exciting new realm of possibility and development opportunity – AKA the big bucks.

But with great rewards also come great risks, though you don't have to dive straight into the deep end. Our experts share how you can minimise risk and outlay, by starting off small with the humble splitter block or a straightforward subdivision deal.

■ HOW TO FIND PROPERTY DEALS

So, where do you find these property deals ripe for the subdivision picking? The first thing you need to do is concentrate on a few key areas according to Jo Chivers, director of Property Bloom.

"Focus and do your due diligence.

Find out what's required council-wise, and what land in this location is selling for so you have an understanding of what the property is worth after you subdivide it," she says.

Nhan Nguyen, founder of Advanced Property Strategies, refers to this process as becoming an "area expert".

"Do your own research, get on the local agent's hotlist, and know your chosen area/s intimately," he says.

Of course, there's big money to be made if you're looking at an inner-city property deal, but Chivers has found her own successful strategy operating in more regional areas.

"Personally, I think regional areas are a good place to start, because you're outlaying less. Inner-city will be worth a lot more because there's less land available in those areas.

"I recommend finding a large, regional city, not a small country town, if your budget won't stretch that far."

Don't rely on real estate websites to find a deal, Nguyen warns.

"Often, if an agent has it listed then it's overpriced and already filtered by many others. Some of the best deals are done privately, so try letterbox drops, flyers and even doorknocking."

THE SPLITTER BLOCK: '2 INTO 2'

"Splitter blocks" as they're often known – particularly in Queensland – involve one property that's legally made up of two or more existing lots on one title. This is also referred to as a "two into two" split, and here's the biggie for many aspiring developers: "If it's a genuine splitter block, you don't have to pay that \$28,000 in council contributions and you don't have to do a council approval because there's already two lots there," Nguyen says.

This is why he believes a splitter block's the best type of deal to begin with.

"You've just got to deal with knocking down the house and plugging in the services."

If you can find a reasonably flat block, Nguyen says these are the easiest to manage as well as on-sell.

"Sloping blocks may require more civil work, surveys and plans, which also means greater costs," he says.

■ WARNING

You may have found yourself a splitter block but that doesn't mean you can actually develop it.

"You'll need to demolish or move the existing house, but in some cases the house may be heritage listed or in a demolition controlled precinct."

If you can't remove the house, you can potentially slide it over, but the second issue is, will it fit?

"A lot of splitter blocks are quite narrow and not usable. Part of your due diligence is getting onto your local council website to find out what all the overlays are."

After locating a viable splitter block, you need to check:

- ▶ If the block is flood-affected, or if there are any overland flow issues.
 - ▶ The dimensions of the block and if the two split lots are actually large enough.
- The next step is running through a detailed feasibility. Nguyen recommends knowing all your costs from the outset to determine if the project will be viable.

Take into consideration:

- ▶ The block purchase price
- ▶ Legal costs
- ▶ Demolition costs
- ▶ Services
- ▶ Professional costs – town planner, civil engineer, etc.
- ▶ Selling costs – agent fees.

■ YOUR TEAM

Nguyen says you must also build a splitter-block dream team.

"Use a private town planner who specialises in that area. Have a good relationship with a civil engineer because they generally know how you can resolve issues," he says.

Nguyen also recommends knowing your council website inside out, and a good builder who can draw up designs for the newly created lots.

■ THE PROCESS

"There are three physical development processes involved, which are power abolishment, the house demolition



“Do your own research, get on the local agent's hotlist, and know your chosen area/s intimately.”

NHAN NGUYEN

CASE STUDY

Sloping splitter block success

Normally, you wouldn't start with this type of property for your first-time splitter deal, but Rhett Bowlen turned this potential problem into a profit.

"It wasn't the perfect splitter block opportunity, but that's why I got to buy at the price I did," Rhett says.

"Splitter blocks are great because you can see the value in them from day one. Whereas, with a subdivision you're waiting 12 weeks to be told if you're going to be able to do the project or not."

Located in Wynnum West, in Brisbane's bayside, the viable block sloped from front to back, which Rhett says may have been a much more difficult process if he was carrying out a subdivision.

"That's something people need to be aware of, because it was a splitter block (two into two), it's not as restrictive as carrying out a subdivision," he says.

"With a subdivision you have to prove where the water's going to go. With a splitter you've already got the two lots, so there're no planning implications. You don't have to apply for a DA or anything. Legally you're allowed to have access to storm water, power, sewer etc., because you've already got an existing lot.

"I just had to go through all the hoops to make sure everything got connected."

Rhett recently went back to university to become a town planner and, forget lousy part-time uni jobs, he's doing development deals to earn a living while studying.

"I always had an interest in property. It wasn't until I did a property course and began going to property meetup groups that my wife and I were really inspired to give it a go."

So, was this first land deal hard to do? Rhett replies "absolutely".

"It was stressful and there were days I'd question if this was going to work out or if I'd wasted my money."

To buy himself time, the first thing Rhett asked the vendor for was a 90-day settlement.



"To be prepared, I'd done my feasibility as if it were only going to be a 30-day settlement," he says.

"As a stroke of luck, the vendor responded requesting a 150-day settlement because he was building elsewhere. So it's always worth asking the question."

SEWER STRUGGLES

Rhett had to negotiate with his neighbours to access their backyard sewer line.

"With neighbours it's a big question mark. I had his verbal word but he wasn't wanting to sign anything until I showed him the design, so there was a bit of managed risk there, but I did have some backup plans."

Rhett could have on-sold the lots without organising the services, but while doing it himself presented a few immediate hurdles, he believed this was the best way forward.

"It was my point of difference come sale time. I wanted to have all the services and everything connected so it was one less problem the buyer didn't have to worry about when buying my blocks."

Rhett's neighbour rejected the initial drawings that proposed a manhole be placed in his yard.

"Basically, I had to go back and lodge an amendment to see if we could get it through without the manhole. It was lodged in May and the approval finally came back in September, right before I settled."

Rhett overestimated all his costs in his feasibility.

"I put down \$20,000 for sewer, \$10,000 for water and \$5,000 for storm water, but I ended up coming in under at \$22,000 for the lot."

THE NUMBERS: PROJECT COSTS – RHETT

Description	Costs
Purchase price	\$445,000
Buying costs: Stamp duty, conveyancing, bank fees, other	\$18,936
Surveyor and engineer fees	\$5,700
Renovation costs	Nil
Services installation: Sewer, water and stormwater installation fees, Queensland Urban Utilities fees, completed surveys and registrations	\$22,235
Demolition costs, asbestos removal, demolition approval, power abolishment and sewer capping	\$19,050
Selling costs: Real estate commission (on one lot only), split titles, conveyancing, bank loan fees	\$6,146
Holding costs: Bank interest, rates, insurances	\$3,560
Other site costs: Fence installation, rubbish removal, etc.	\$4,100
GST	Nil
Total cost	\$524,727
Sale price Block 1	\$295,000
Sale price Block 2	\$295,000
NET PROFIT	\$65,273

SALE TIME

Because the lots were rear sloping and backed onto a train line, Rhett had to think differently to sell them.

"I approached a builder who did house and land packages and offered full depreciation schedules that showed potential rental returns for buyers. Price wise, the blocks were also marketed \$50,000 cheaper than other lots in the area."

Rhett's main goal was to have both lots under contract before his property settled, which is exactly what he did.

After all was said and done, Rhett made \$65,273 on the project – not bad for his first time round.

"It'll never be black and white as to whether or not you should do a deal, it's always grey,

PROJECT TIMELINE

1 May 2015	<ul style="list-style-type: none"> Signed contract. Final negotiation of contract terms. 150 days settlement. Early access to install stormwater, sewer and water infrastructure.
2 May 2015	Started marketing the separate lots for sale.
9 May 2015	Secured written permission to access neighbour's sewer line.
10 May 2015	Began sewer and water design.
29 July 2015	<ul style="list-style-type: none"> Approval for designs given with manhole on neighbour's yard. Neighbour rejects the design. Renegotiate the sewer proposal with no manhole, plans submitted. Demolition approval received from council.
14 Aug 2015	First block under contract.
7 Sep 2015	<ul style="list-style-type: none"> New sewer design approved. Neighbour approved designs.
18 Sep 2015	Second block under contract. (Sale success! Both lots under contract before Rhett settles on the property).
20 Sep 2015	Settled on contract.
24 Sep 2015	Electricity abolished and sewer line capped.
28 Sep 2015	House demolished.
6 Oct 2015	<ul style="list-style-type: none"> Sewer, water, stormwater retention systems and fence installed. Separate titles received.
20 Oct 2015	First block settled.
7 Dec 2015	Second block settled

and I learned that at the very beginning. There's always a possibility for something to go a bit wrong and that's why I did my feasibility the way I did.

"If you can get the property at the right price everything else is hard work but manageable. If you buy something at the wrong price, there's no way you can recover from that, really."



The sewer line. Rhett's lots are shaded yellow



The wooden monster



Demolition time, the visibly sloping block



Demolished and ready to go



Jo Chivers talks subdivision

Tap or click this button or visit scan.me/c9pppzq to see Jo Chivers share more on what you need to know about the subdivision process.



and then connecting to those services, followed by the sales process," Nguyen says.

If you're planning to sell, you need a good relationship with a local agent who can start marketing the sale of the property early. Nguyen recommends listing the lots as early as possible.

"If the deal is straightforward and organised, without breaking any records, you can buy and sell, and get paid in 10 weeks from settlement to settlement – provided you're organised and have a good sales team."

THE 'ONE INTO TWO' SUBDIVISION

Obviously subdivision can involve converting one block of land into several (a multi-development site), but when starting out Chivers says keep it simple. The best subdivision option is simply slicing the one block into two.

"Look for a corner block with a house on it to subdivide. These are the easiest from a cash flow perspective, as you'll receive rent to help with the holding costs," she says.

"If you're subdividing land and you're not going to receive any rent during the process, it's important to move very quickly, because you're not getting any return whilst doing subdivision works."

SUBDIVISION PROCESS: LOT SIZE

The first thing to consider when embarking on a subdivision is making sure your site adheres to council regulations.

"The first document to review is the Section 149 Planning Certificate in the sales contract," Chivers says.

"It tells you the zoning and if the land may be affected by other environmental factors, such as flood or bushfire."

If zoning in the area allows for subdivision, she says the first question you need to ask local council is, "What is the minimum lot size?"

This will determine whether you can or can't chop up the block.

"Information and guidelines are

readily accessible from your local council's local environment plan (LEP) and development control plan (DCP) for subdivision," Chivers says.

"For example, if you've found a 1,000-square-metre corner block and the minimum lot size is 500 square metres then you can cut that block in half and meet the minimum lot size."

If your site isn't a corner block then what you'll consider doing is a "battleaxe" development. Typically, this is land with a house located at the front and involves creating a new lot at the back.

"If it's not a corner block site you need to allow for a driveway or 'battleaxe handle' to access the back lot and the area needed for the driveway, in most cases, is in addition to the minimum lot size," Chivers says.

"You've got to have that handle to enable vehicle access to the rear lot. If it's a shared driveway the surveyor will create a right of carriageway, which legally allows both lots to use the driveway."

BEFORE YOU EXCHANGE ON THE LAND: SURVEY!

Chivers can't emphasise enough how important it is to get a survey done.

"A detailed survey will show you where the sewer main runs, and you can see where all the service connections are and drainage pits or easements. Importantly, it will also show the fall of the land," she says.

"I always check the sewer diagram, not only to see where it's located but if it's actually a feasible cost to extend it to service the new lot," she adds.

A few questions Chivers asks, are:

- Is it feasible based on the slope of the land to drain stormwater from the newly created lot/s?

- Is there a power pole or source close by?

Once you've established the project is viable, Chivers says a surveyor will provide you with a ballpark figure on subdivision costs.

“Once you’ve purchased the land, a surveyor can put a subdivision plan together. Once you’ve got that plan you can start getting quotes from contractors for the works that are required.”

■ **SUBDIVISION COSTS**

The surveyor can provide an estimate on subdivision costs, Chivers says. This is handy because, rest assured, the costs will add up, and they include:

- ▶ Stamp duty, legal fees
- ▶ Council fees and charges
- ▶ Surveyors costs – surveying and preparing the development application (DA). (You can do this yourself or they can do it for you)
- ▶ Plumbing works
- ▶ Water supplier/ sewer connection
- ▶ Civil works – road upgrades, including kerb and gutter, driveway
- ▶ Site preparation – you might need to demolish a few sheds or trees.

“Just plumbing and civil works alone can blow out your budget, so understand the entire process before you begin.

“Talk with an accountant about your subdivision to understand the tax and GST implications if you’re going to sell on completion.”

■ **SUBDIVISION DREAM TEAM**

Perhaps not surprisingly, Chivers says a surveyor is the key member of your subdivision team.

“They’ll also have a very good understanding of the local councils, DCP and LEP, so you can read those documents, which are very lengthy and complicated.”

Other key professionals she recommends include:

- ▶ A property solicitor or conveyancer
- ▶ An accountant
- ▶ A project manager (if you’re time poor or inexperienced).

■ **COUNCIL PROCESS**

Chivers says using a surveyor to manager your DA approval is a smart move – they’ll be efficient with the process.

“If you get the initial work done and the DA lodged and it’s processed quickly then you’re doing well, but the work doesn’t stop once you’ve received the DA consent. There’s a lot more to do before council will issue the subdivision certificate and before the new lot may be registered. In my experience the fastest turnaround time we’ve completed a subdivision is within three months.”

STATE EXPERTS

Town planners and surveyors share

WA: Eddie Ioannisci of Cottage & Engineering Surveys says “splitter blocks” are better known as “multi-lot titles” in Western Australia.

In WA the three types of subdivisions are known as:

- ▶ Green title subdivisions
- ▶ Built strata
- ▶ Survey strata.

If you’re looking for subdivision potential: “The City of Belmont and the City of Gosnells have been popular due to re-zoning, however we predict the City of Joondalup and the City of Swan will be the next popular areas – these local councils have very recently gazetted re-zoning.”



NSW: Ali Hammoud of Planzone Consulting discusses council contributions in NSW.

“The amount payable varies between councils and is detailed in each council’s Section 94 Contribution Plan. However, the NSW Government has capped the maximum contribution amount that any council can charge for subdivisions that create new lots at \$20,000 in existing urban areas and \$30,000 in new land release areas.

“The contribution is only payable for any new lots created and credits are received for existing lots.”

The three types of subdivision in NSW are known as: Strata subdivision, Torrens subdivision and Community subdivision.



QLD: Greg Hoonhout, of Gateway Survey and Planning, says many Queensland councils have reduced the time it takes to assess subdivision applications.

“In some cases, this reduces the standard assessment timeframe from three months to 10 business days,” he says. “To achieve this, private town planning consultants take some of the responsibility for the assessment setting conditions on behalf of council.

“Within Brisbane City Council, the minimum lot size is 300 square metres (7.5-metre frontage) where the lot is within close proximity of a ‘centre activity’ (shops, etc.). In all other low-density residential areas the minimum lot size is 400 square metres (10-metre frontages).”

But beware of properties constructed prior to 1946!

“Brisbane City Council’s mapping system clearly indicates protected dwellings. Council is very strict about retaining pre-1946 houses; therefore it’s unlikely that council will support subdivision if it requires the removal of a pre-1946 dwelling.”

If you’re looking for subdivision potential: “Within Brisbane, often older areas where there are properties with 600 square metres to 800 square metres (15- to 20-metre frontages); popular areas include the 10-kilometre to 15-kilometre ring around Brisbane, which is mostly post-war, but opportunities pop up in the pre-war suburbs as well. These are probably a bit more expensive for people starting out. There’s also a lot of opportunity in the Logan, Moreton Bay and Redlands areas as well.

“These outer cities quite often have larger allotments within a more affordable price range.”



VIC: Frank Perry, director of Perry Town Planning, says subdivision activity is spread all around Melbourne’s suburbs.

“There are emerging markets in the north and the west, but the real interest is particularly in Box Hill, Glen Waverley and places like that.”

Want to access planning maps to get under way with your property search? Visit: <http://services.land.vic.gov.au/landchannel/jsp/map/PlanningMapsIntro.jsp>



■ **EXTENDED SETTLEMENT**

Negotiate a longer settlement term, as this will essentially buy you time.

“I would say go for a 12-week settlement if you can,” Chivers says.

“Along with an extended settlement, ask for permission from the vendor

to lodge the DA during the settlement period, so as soon as the surveyor’s completed the subdivision plan you can begin getting quotes.”

The goal is to be ready to move on the subdivision works as soon as the consent is received. **API**