



# 7 steps to \$600,000 profit on townhouse project

Bo Cai and his wife Kelly decided to delve into property development in 2009. Their decision to develop a block of land in Ormond, Victoria, came before they even purchased the site, allowing them to fully research and plan their investment before getting started on their three-unit development.

Bo and Kelly moved to Australia from China in 2006. Settling in the southeast Melbourne suburb of Glen Huntly, they always knew that in the future they wanted to be able to provide their parents with somewhere to live, and also plan for their own financial security.

Finding the right site to develop was very important to them.

"We wanted to acquire a property in the highly prized McKinnon school zone and close to local amenities, including shops, education facilities and public transport," Bo says.

"We spent months researching the market and house hunting, and after a few potential sites fell through, we found a property in Wheeler Street, Ormond," Kelly adds.

"We really liked the site as it featured an old three-bedroom home in need of a good makeover."

## // STEP 1: ASSESSING THE FEASIBILITY

In 2009, the couple contacted us at Pillar+Post to complete

a property development assessment and evaluate the site's potential and development options. They received all the information required to make an informed decision about proceeding with the development.

Bo and Kelly were very proactive and wanted to educate themselves on the development process. We met them in early 2009 to discuss the possibilities of a development project and outline how we might be able to work with them to realise their development vision.

Recognising the value of the strategic location and generous size of the site, our design and planning experts evaluated the likely development costs, applicable planning controls and recent housing sale prices in the area.

The initial assessment also investigated the impact of the McKinnon Secondary School zone on local housing prices, the style and costs of recent subdivisions in the area, and the value of the existing dwelling.

The information obtained through the property development assessment informed our final recommendation

for the site: three cleverly designed townhouses – two with four bedrooms and the third with two bedrooms. This would balance the growing demand for modern family housing in Ormond, with the predominately single dwelling typology of the neighbourhood.

**“When the figures were assessed, it made financial sense to demolish and improve the site through the construction of three new townhouses.”**

The existing house was positioned awkwardly towards the front of the block and didn't take full advantage of the minimal setback of the property to the north. We explored several options with Bo and Kelly to retain the existing house, but when the figures were assessed, it made financial sense to demolish and improve the site through the construction of three new townhouses.

## // STEP 2: THE DEVELOPMENT STRATEGY

Bo and Kelly could confidently proceed with the property knowing they'd done their due diligence in researching the possibilities of the site. The next step was to carry out the development strategy, creating land use plans based on detailed site analysis and describing the preliminary forms and dimensions of the proposed dwellings.

Ideally, they wished to accommodate their parents in the rear dwelling and sell the front two.

Bo explains, "We wanted to provide a secure home for our parents to settle in Ormond. The rear townhouse feels like the safest and quietest of the three."

"From the very start, we had a development plan and we've stuck to it."

## // STEP 3: CONCEPT PLANS

The next step in the process is to start putting the ideas down on paper and preparing the concept plans.

While the sketch plans we prepare in the early steps help shape our thinking, clients like Bo and Kelly can grasp the vision with a set of concept plans in front of them and start to make their desired changes to the design.

Given the existing residential housing and local policy requirements concerning neighbourhood character, these plans were then presented to the council for feedback.

Early liaison with the local planners at this point was an important part of our design process. By proactively seeking feedback at the concept stage, we prevented any nasty surprises later down the track.

These preliminary discussions with council proved fruitful and indicated an initial support of the project.

THE ESTIMATED NUMBERS   BO AND KELLY CAI	
Project: Demolish existing house and build three double-storey townhouses	
Exchanged contracts	October 2006
Settlement	December 2006
<b>COSTS</b>	
Purchase: Land and stamp duty \$780,000, conveyancing \$800	\$780,800
Pre-build costs: Surveyor \$2,100, town planning, design and working drawings \$23,000, arborist report \$2,000, soil test \$500, landscape plans \$600	\$28,200
Demolition and site clean	\$11,000
Construction costs: Deposit 5%, base stage 15%, frame stage 10%, lock-up stage 30%, fixing stage 30% and completion 10%	\$919,800
Infrastructure costs: Electrical, water, sewer connections and fees	\$13,000
Landscaping costs: Landscaping \$7,000, fencing \$3,000	\$10,000
Interest on loan	\$70,000
<b>Total development cost</b>	<b>\$1,832,800</b>
<b>INCOME</b>	
Total income estimation (estimated values):	
Unit 1 (4-bed) – value: \$900,000	\$2,435,000
Unit 2 (4-bed) – value: \$845,000	
Unit 3 (2 bed) – value: \$690,000	
<b>ANTICIPATED PROFIT / EQUITY GAIN</b>	<b>\$602,200 (32.8%)</b>

## // STEP 4: THE PLANNING APPLICATION

With notional support for the project, more detailed design would form the next stage of the project. Bo and Kelly were involved at every step of the process, ensuring they were across the plans and able to assist in gaining the support of the neighbours, something that was also very important to the couple.

With initial support from council, our team of town planners and designers set to work on completing a package of drawings in preparation of obtaining a town-planning permit. This involved site surveys, site plans, elevation plans, 3D perspectives, shadow diagrams, design response plans and landscape plans. These documents would all assist

