

Choosing the right development *block*



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Choosing a block that is easy to work with can help keep your project costs down, while buying in the right location will increase your chances of attracting a good buyer or tenant when your development is complete.

Choose the right block in the right location and you'll be winning on both fronts. Whether you're looking for a duplex, triplex or multi-unit development block, it's all about minimising your risk, while maximising your profits.

Does size matter?

In short, yes. You don't want to be paying for square metres you don't actually use. Savvy property developers typically look for a block that enables them to build several homes without any 'wasted' land, ensuring they get maximum yield from the block, with minimum outlay.

They know it generally makes more sense to subdivide a large block into as many dwellings as possible as this stands to make them more money than a single property with a big backyard. The local council's minimum land size serves as their guide.

An exception to the rule

Sometimes it pays to build fewer homes than are permitted. Single-storey units, for example, can sometimes be more attractive to prospective buyers or tenants than two-storey properties. You will generally get fewer single-storey properties on a block, but buyers may be prepared to act quickly and pay a premium for them.

Other considerations

While size does matter, it's important to also bear in mind that:

- 1 Odd-shaped lots are harder to work with. They can cause headaches when it comes to designing and you will often have wasted space.
- 2 Sloping lots may require additional site works, including costly retaining, cutting and filling. They may even call for a split-level property design, which can add to your project costs.
- 3 Soil classification can be important. Ideally find out if the land has been remediated or if the soil contains rock, deep fill, reactive soil, tree roots or a higher-than-expected water table.
- 4 Site works are always required and will vary from block to block. They typically involve earthmoving, storm water disposal and connections to utilities.
- 5 Covenants on the land have the potential to affect the design of your development. Overly onerous controls or covenants will certainly restrict what you can build on the block.
- 6 The position of utilities and easements can potentially reduce the usable area of your block, giving you less area to work with.
- 7 Verge trees, side entry gullies, power poles, light poles, sewers, hydrants, footpaths and access ramps can all have an impact on the block and what you can put on it.

A specialist development company can help you with these investigations and provide an independent assessment so you can proceed with confidence.

Why do R-Codes matter?

Understanding the R-Codes is essential if you plan to unlock a block's full potential. That's because the R-Code dictates how many properties you can build on the block. This in turn determines how feasible your project might be and what sort of profit you might expect to make.

As a guide, the higher the R-Code number, the higher the housing density that's permitted. Knowing the relevant R-Code means your property development team can do the necessary calculations to work out how many properties can be built on the block.

Development requirements vary from council to council. A builder specialising in property development will be well versed in the processes and protocols. It will also have strong relationships with all the local councils and will be able to advise you accordingly.

Location, location...

Property hotspots are a good place to start when looking for the right block for your project. Hotspots are areas where there's potential to make money because the price of property appreciates quicker than the rest of the market. Getting in early is the key, so that you don't miss the moment.

Underlying factors such as new infrastructure, population growth, and changes in culture and lifestyle will all help increase an area's appeal. This in turn will increase demand, and demand pushes property prices up.

Look out for:

- ☑ Things people need. What's available, now or on the horizon, in terms of infrastructure such as public transport, hospitals, schools, shopping centres, medical facilities, parks and public open space.
- ☑ Things people enjoy. This includes a sense of community, along with attractive landscaping, street appeal, cafes, shops, cinemas, sports facilities, bars and restaurants.
- ☑ Ugly ducklings. These are the suburbs that are on the up, often through urban renewal and government policy.
- ☑ The ripple effect. Areas that sit next to hotspots could be about to reap the benefits.

Think about who your target buyer or tenant might be and look for evidence of a proactive development policy in the area. This will help you determine what sort of demand there might be for the type of development you are planning.

Is the block in an area where single-person households are on the rise, for example? Is the area popular with downsizers? Are people looking for affordable, low-maintenance properties to buy or rent?

Case study

The block: A large site zoned R50 in Palmyra.

The design: After identifying there was strong demand for single-storey dwellings in the area, the developer decided against building two-storey properties and the maximum number of homes on the site, opting instead for a four-unit single-storey development that delivered fewer homes, but appealed to downsizers.

The outcome: All four units sold quickly, delivering a healthy 37% profit.



Block Shock

Finding the Hidden Costs

Buyer beware! If you're purchasing a block for subdivision or development, it's important to identify early any characteristics of the block that could end up costing you much more than you budgeted for.

Our R-Codes whitepaper may have helped you find a block that you can subdivide and you've probably decided which type of strata title will suit your project best. Here, we help you look closely for any hidden costs that may be lurking round the corner, ready to interfere with your plans.

Understanding the characteristics of your block early on is important because it means there's less chance you'll have to deal with budget blowouts down the track. Hidden nasties and unexpected problems can have a major impact on the price and the development potential of your block.

The experts at Dale Alcock Developments have put together this 5-point checklist, providing a round up of the critical questions you need to ask. The answers you get back may not necessarily change your mind about buying the block you have your eye on, but at least you'll be armed with all the information you need to make a considered and informed decision.

Point 1

Services & Suchlike

- Where are the Minister's Sewer and the sewer manholes currently situated? Is the Minister's Sewer currently within the block or does it need to be extended?
- Is the sewer higher or lower than the development I am proposing? It needs to be lower.
- Are there local government drainage easements that are not shown on surveys, which could limit my design, have an impact on the size of my development and end up costing me money?
- Where is the position of elements such as street trees, bus bays, bus shelters, traffic islands, street signs and side entry gullies?
- Are there any power easements from overhead power lines? Will the front house need converting to underground power? If so, this could affect my design.
- Do I require engineered stormwater?
- Are there any service provisions already in place?
- Will I need to relocate any power, water, sewer or gas infrastructure so that I can develop the block?

Point 2

Neighbourly Love

- Is the retaining to my neighbour's property adequate for my proposed driveway?
- Just how close are neighbouring structures to where I want to build?
- If I'm planning to build on a strata lot, do I need permission from other strata owners?

Point 3

Planning & Preparation

- Have I found out about any future road widening or right-of-way widening that might have an effect on the size of the lots I'm planning to create?
- Are there any heritage area or specific local government requirements that might have an impact on the cost and design of my project, or how long it may take to complete? The Bassendean Energy Efficiency Policy, for example, encourages the design of energy-efficient homes.
- Can I demolish the existing home if I want to?

- What are the local government contributions for drainage or public open space?
- What steps can I take to reduce the impact of noise on my development? If I'm on a main road, close to the airport or near a rail line, will Local Government enforce noise attenuation regulations?
- Are there any upgrades or improvements that need to be made if I retain the existing home?
- How big is the "fall" on my lot? How much does it slope from front to back? From side to side?
- Is my block subject to split zoning? This can affect development potential in some shires.

Point 4

Location, Location, Location

- Have I found out if I need to do a soil classification test? Is it clay or sand? If it's clay, this could end up costing me money in extra site works.
- What's the height of the water table? How close am I to nearing water, such as a lake, the ocean, a river or wetlands? Will this have an implication on site works and storm water?
- Do I have a clear picture of my site's typography?
- Is my block situated in a special precinct area?

Point 5

Design Direction

- Where is north in relation to my block? Will the block's orientation affect my design?
- If there's an existing home on the block and it's going to be kept, is there anything I need to do to the house so that I can access the area I want to build on? This might involve cutting back eaves, verandahs or carports. A minimum of 3m is needed to get past an existing home, including using a straight driveway.
- How is the lot currently titled? If it's strata titled, does this restrict my design ideas or have an impact on the size of my development?

Our specialist development team can help you find out everything you need to know before you sign on the dotted line. Whether you're a seasoned developer, deciding on a block for your first development project, or simply looking to build in your own backyard, it pays to be aware of all the issues so that you can proceed with confidence.

To find out more, speak to one of our expert Development Consultants today.

Help! There's already a house on the block...

In the right area, an old house on a big block could be the makings of a solid investment strategy, especially if the area has recently been rezoned. Staged developments – where you build one home before building the next – are an excellent starting point for developers who want to limit their initial outlay. They can also be a good option if market conditions don't support selling or renting several properties at the same time.

Alternatively, you may want to demolish the existing property so that you have a clear block to work with. If this is the preferred option, you'll need to factor in demolition costs, which can be upwards of \$17,000.

If you plan to retain the existing home and build in the backyard, the general rule of thumb is to look for a block that is:

- ✓ At least 700sqm, giving you enough space to build a second home on the site. Generally work on a minimum site area of 330sqm per dwelling, although this will depend on local council requirements.
- ✓ Wide enough to accommodate a driveway for the second home.
- ✓ Level and a regular shape. Flat blocks are easier and cheaper to work with. Sloping blocks generally need cutting and/or filling, which will add to your project costs.

Due diligence and feasibility

A builder that specialises in property development can carry out a two-step feasibility study for you, complete with a cost analysis, modelled options and priceless insights into what local buyers are looking for. It's this sort of due diligence investigation that can help you identify the right block in the right location, which is the key to success.





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