

From demolition to *development*



From Demolition to Development

A step-by-step guide

We've all driven past them; those tired old homes sitting slap bang in the middle of what could be a prime development site. You might even be living in that tired old house and wondering if the land it sits on could be put to much better use as a development project. A lucrative development project that puts extra dollars in your pocket.

If there's a chance you're sitting on an investment gold mine, here's our handy guide to help you get started.



The Concept

The State Government wants to see more homes being built in the established suburbs, which means many areas of Perth are being re-zoned to bring more people close to existing amenities and infrastructure.

Single old homes sitting on sizeable blocks are being replaced with duplex, triplex and multi-unit developments in the form of villas, townhouses, family-sized homes and two-storey apartment buildings.

In a nutshell, demolishing to developing is all about knocking down that old house to release the full potential in the land it sits on.

The house may be either:

Your own home

Although it's served you well over the years, your house might now be well past its use-by date! Instead of renovating or knocking it down and replacing it with just one new house, the R-Code for your property may make it possible to build two or even more new homes on the site instead.

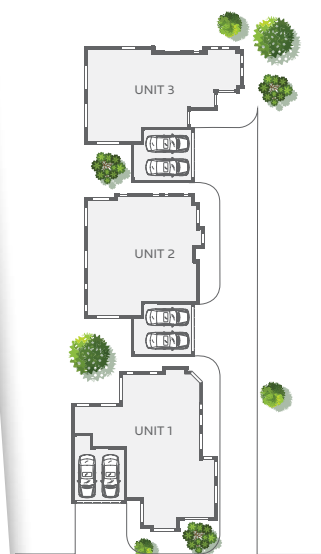
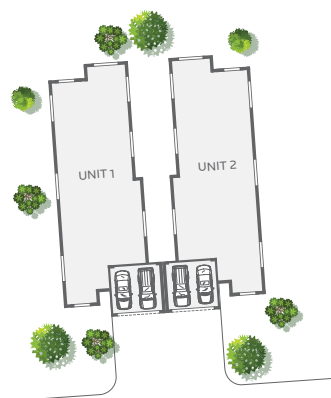
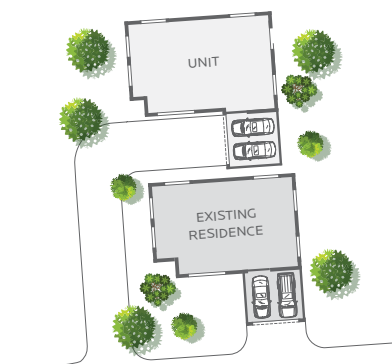
An investment property

Many developers purchase an old house with the sole intention of knocking it down to create a development site already knowing that the relevant R-codes offer the opportunity to build several homes on the block. Maybe your investment portfolio already includes an old rental property sitting on a generous block and you're now aware that the R-Codes in the area have changed to permit development. Chances are the land could be far more valuable if the house was demolished, and the site subdivided and developed.

A quick word about R-Codes...

WA's Residential Planning Codes, otherwise known as R-Codes, indicate how many dwellings can be built in a specified area, taking into account block size whilst providing minimum requirements for outdoor living space, street frontage and setbacks. You can call your local council or better still speak to our experts to check the R-Code zoning that applies to your block and what this might mean for you. Then you need to cross reference the relevant R-Code with the block size to see if you meet the minimal lot requirements for subdivision. As a guide, the higher the R-Code number, the higher the housing density that's permitted.

That said, it's easy for the untrained eye to misinterpret the R-Code tables, so it's always a good idea to speak to the experts before you make any big decisions. Many blocks are split zoning such as R20/R40 and each council has different rules they apply for these.



Move in, rent out or sell?

Building two or more properties on an existing block gives you options, which you can mix and match to suit your needs, your investment goals and your retirement plans. The options might include:

- ✓ Choosing one home to live in.
- ✓ Selling the homes to pay down debt.
- ✓ Creating an income stream by renting out the properties.
- ✓ A mix of the above.

Subdividing consistently proves to be a profitable investment strategy for many people, but there can be pitfalls along the way. This is why it's always best to do your homework and surround yourself with the most experienced development team in Perth.

The homework

Assessing the potential of a proposed demo and develop project isn't simply about whether the house is 'old' enough or 'tired' enough to be bowled over.

A profitable demo and develop project will have taken a number of factors into account, starting with the location, as

well as the size and shape of the land. There's also your target market to consider carefully. Who is most likely to want to buy or sell the properties? And how much are they likely to pay?

All this and more can be covered in a feasibility study, which is pretty much the first step you should take before even thinking about calling in the demolition squad!

A builder experienced in property development can look after the feasibility study for you. They will help you assess how much buyers might pay to buy or rent the homes you build, and they'll take a long hard look at how much it will cost you to build those homes. They'll also be able to factor in the cost of demolition and other associated works, and provide valuable insights into the local market, including what buyers and renters are looking for. A number of design options can be modelled, so you can see what is likely to return the best profit for your goals.

A comprehensive feasibility study will also identify any 'hidden' issues in terms of site costs, heritage restrictions, drainage easements and the location of services, for example, that may end up having a major impact on the price and potential of your property development.

When it's time for that old house to go...

Demolition costs depend on the size of the property and the site but can typically be upwards of \$18,000.

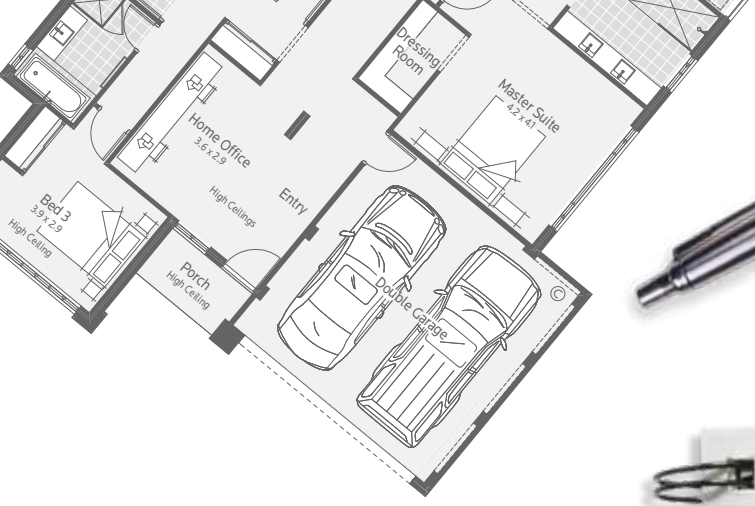


The demolition process can be broken down into three stages:

- 1 Gas and electricity accounts finalised, Demolition Permit Application (BA5) submitted to the local council, and the house vacated.
- 2 Demolition contractor carries out rat baiting (about 2 weeks) and disconnects the gas and electricity supplies.
- 3 Demolition permit received, finance approval/evidence of building funds confirmed, and house demolished. An engineer's inspection is then carried out to confirm the site has been cleared and is ready for building work to start.

Also good to know:

- ✓ Anyone living in the house needs to move out 2-3 months before ratbaiting is scheduled.
- ✓ Final gas and electricity meter readings should be arranged about 7 days before the house is vacated.
- ✓ Once the house has been vacated, allow 6-8 weeks on average until completion of the demolition process.
- ✓ If you wish to retain existing features, such as trees, pools and retaining walls, you'll need to discuss this early on with your development consultant prior to design.
- ✓ Structural items, such as windows and doors, cannot be removed from the house as they are covered by the demolition permit unless agreed upfront with the demolition company.
- ✓ The house needs to be completely cleared of furniture and any other items, before demolition can start.



The demo & develop process in 8 easy steps:

STEP 1

A feature and contour survey of your block is carried out to give you a clear picture of what you and your team have got to work with.

STEP 2

The design team draws up the perfect development plan, taking into account the site, your development goals, your budget and your target market.

STEP 3

A fully itemised development quotation is prepared, including demolition, subdivision and build costs.

STEP 4

Plans are submitted to the local council, and development approvals and building licences are applied for.

STEP 5

The existing dwelling is demolished.

STEP 6

Construction starts on the new properties.

STEP 7

The block is officially subdivided (this step typically runs in tandem with the build.)

STEP 8

New homes are handed over, along with the new Land Titles.

Handy to know

- ✓ You don't have to select the same specification for each of the properties you build. If you need a no-frills fit-out for the home you plan to rent out, for example, but want a luxury specification for the home you plan to live in, then you can simply make your choices accordingly.
- ✓ Securing your finance is arguably the most important aspect of your development. Knowing you have the funds behind you to make your project a reality means you can proceed with confidence. It also gives you a good idea of your budget. A builder that specialises in development will be able to work out a plan that includes the financial solution so that you can move ahead with certainty.
- ✓ Going through the subdivision process whilst you build is regarded as the quickest and most straightforward development solution if you're planning to split a block of land and build more than one home. There are a few exceptions, such as building apartments or if your block is an odd shape, in which case you may need to build before Titles can be issued, which will be discussed upfront in your development consultation.
- ✓ Speed is usually of the essence. This is because your aim as a developer is to have the properties making money for you as soon as possible – either by selling the new homes or renting them out.
- ✓ Not ready for a full demo and develop project just yet, but have room in your backyard for a new house? Developing in stages – building one dwelling before you demolish your existing home to make way for another one – gives you options, as well as the flexibility to time your stages according to market demands, your circumstances and your investment goals.
- ✓ Property development isn't for the faint-hearted. There may well be a few bumps along the way but surrounding yourself with the right team means you have experts on hand to deal with any issues that do crop up. Better still, consider working with a specialist property development company like Developments by Dale Alcock - we've already assembled the team for you and we've been doing this for over 30 years.



Out with the old

After living in their 1970s brick-and-tile home in Bateman for more than two decades, the clients decided to demolish their old house and maximise their 903sqm block by building two smaller properties – one to live in and one to rent out. The house, which they'd purchased in 1993, sat on a battle axe block in a cul-de-sac and met the criteria for R20 zoning.

The aim of the game

As the clients were going to be living in one of the new homes, they wanted a high level of fit-out and finish. Knowing they would be living next door to their new investment property, the couple wanted the second house to be equally attractive, with a specification that would appeal to a tenant at the upper end of the market. This would help the clients maintain the overall value of their development.

In with the new

The team at Developments by Dale Alcock designed two survey strata homes that had their own title, but a shared driveway. Each home has four bedrooms, two bathrooms, a

spacious kitchen and living area, a home theatre, alfresco and double garage. The clients were able to select two different specifications, choosing a luxury, Hamptons-style specification for the house they planned to move into. For the second property, the couple tailored the specification of the build, while still aiming for the upper end of the rental market. Construction took 11 months, during which time the clients rented nearby.

Money in the bank

The clients now enjoy the best of both worlds. They have a new house in an area they have lived in for more than 20 years, plus they have maximised their large block by building an investment property that is rented out at the upper end of the market at \$625 per week. The build was smooth and seamless, and any issues that cropped up – either during the build or during the maintenance period – were handled promptly and efficiently. The Developments by Dale Alcock Guarantee gave the clients a welcome level of certainty in terms of what their development was going to cost and when they could move in.



Out with the old

The clients owned a 10-bedroom 1960s/70s house in Shelley that they rented out for more than a decade. As soon as the 1,443sqm property was re-zoned to R25, they called in our demo and develop team to unlock the block's true value.

The aim of the game

The clients wanted properties they could rent out rather than sell, making costs v net rental return a key element of the feasibility study, which also revealed that nearby Rossmoyne Senior High School was a big drawcard for families. The clients were time-poor so were looking for a turnkey development solution that covered design, demolition, subdivision, construction and landscaping.

In with the new

Rather than opting for four smaller properties, the clients recognized that three large, upmarket family homes would offer them the best return on their investment. Each beautifully constructed home has four bedrooms, 3 bathrooms and a well-appointed kitchen, along with plenty of space for living and entertaining indoors and out. With a master suite both upstairs and downstairs, the homes appeal to growing families.

Money in the bank

All three homes leased for between \$850 and \$950 per week, providing a passive income stream as part of the clients' retirement plans.



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