

A quick guide to developing in *stages*



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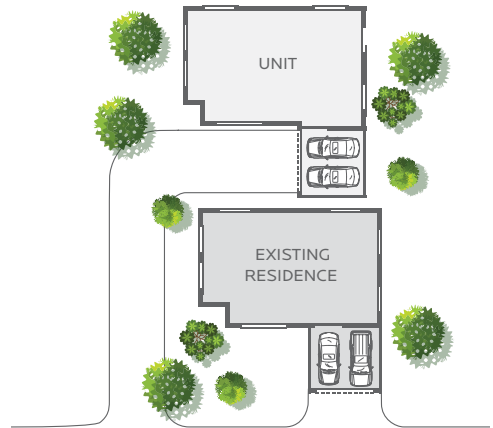
If you plan to build two or more grouped dwellings on your block, then you might want to carry out your development as a series of 'stages'. This means you would build one home before you built the next one, or two.

Developing in stages is different to the general approach to property development, which involves starting with a clear block and building all the new homes at the same time.

Developing in stages gives you more options, as well as the flexibility to time the stages of your development according to market demands, as well as your individual circumstances and investment goals.

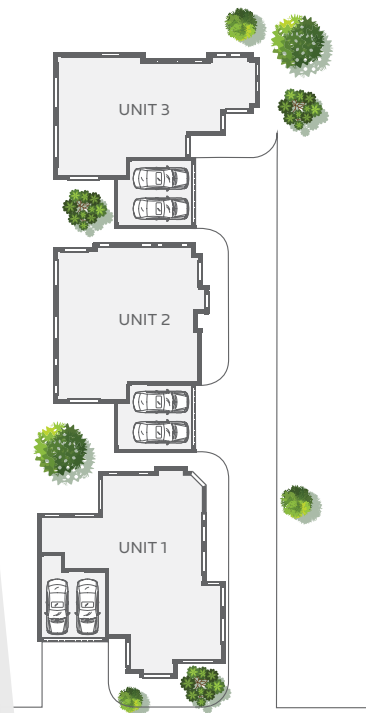
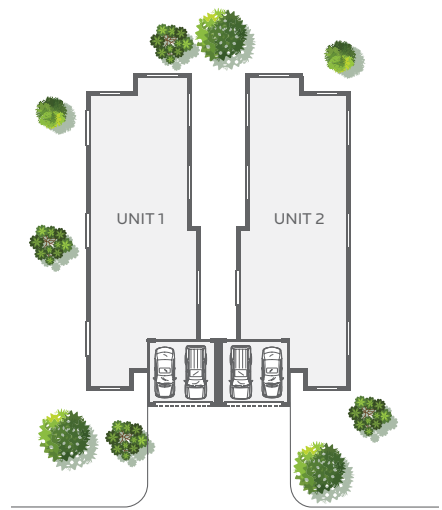
It is a good approach to consider if:

- ✓ Financial constraints limit how much you can invest at the outset. Staged developments generally minimise risk and outlay.
- ✓ Market conditions indicate it is the alternative way to go. Staged developments mean you are not having to rely on selling or renting several new properties all at the same time.
- ✓ You're more comfortable with taking things step by step over a longer period of time. Staged developments appeal to homeowners developing for the first time, including those developing their own backyard.
- ✓ You have a habitable property on the block. You may not need to sell or move if this is the case. This means you're able to monitor construction progress and you won't have extra costs such as rent or real estate fees.



Top Tips

- 1 Design with the end result in mind. Even though you may be building just one home to begin with, looking at the big picture will help you maximise the investment potential of your entire block. There may be design solutions that are not immediately apparent.
- 2 Design all the properties at the same time. This gives you certainty in terms of the saleability and rental appeal of the properties that will be built in future stages of your project.
- 3 Talk to the experts. An experienced development consultant will be able to discuss both your short-term and your long-term goals, and propose a staged development plan that will give you the best outcome.
- 4 Take a whole-project approach, teaming up with a development specialist that can work with you over a long-term timeframe, guiding and advising you at each and every stage.
- 5 Be comfortable with the fact that a staged development will take longer than completing your development in one hit. It might take 12 months to build a triplex development if you're building all three properties at the same time, for example. Building one after the other as a staged development would typically double the timeframe once you factored in the separate building licence approvals and build times.
- 6 Ask for itemised costs from the beginning so that you know what your budget will be over the life of the project, as well as in the short term.



John and Mary's example

John and Mary have an old house on a large block. The size of the block and the R-Code that applies to the block means it could be subdivided into three lots.

The house sits in the middle of what would effectively become the first two subdivided blocks. This means that only one new property can be built unless the existing property is demolished. The new property would sit on the new rear block. The old house is tenanted and will hold up for a while yet.

The investment goal

John and Mary are keen to unlock the development potential in the large block. They want to increase their rental income, while maintaining their existing cash flow. They are either unwilling or unable to borrow the money they would need to develop all three homes at the same time.

The first stage

Plans for three new homes would be drawn up and submitted to the local council for approval. Designing all three homes at the same time means John and Mary are not putting any limits on what can be built in the second stage of their project. By thinking of their block as three individual parcels of land, they are maximising its potential. Once plans for the three houses have been approved, a building licence would be obtained for the construction of just one property – the new property on the rear block.

At the end of the first stage John and Mary have two homes – one new one and one old one. Both can be rented out. There is still the potential to demolish the old home and build two new ones in its place.



The next stage

Armed with the right advice, John and Mary can choose the option that best suits their circumstances, their investment goals and market conditions.

1

Sit tight and just receive the two rental incomes, knowing they can knock down the old house when they're ready and then build the remaining two homes, which they already have planning approval for.

2

Keep the new rear home and build the other two new properties straight away. This would give them three rental incomes.

3

Sell the rear home and put the proceeds of the sale towards the cost of building the next two properties.

4

Sell the old home as a two-unit site for someone else to develop.

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Smart money moves first. Which means savvy property developers know that now is the right time.

All the signs are there – low interest rates, trades available and the market heading into recovery – but it's important to partner with an expert before you bring in the bobcat.

Developments by Dale Alcock can help you unlock the full potential of your block. You'll have our 30 years of experience at your fingertips as we help you subdivide, design and build, ensuring you:

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- ✓ **Maximise your return**
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