



## Property Developers Pre-Acquisition Checklist

**Before any property developer makes a decision to commit to the acquisition of a site you must undertake a property due diligence (DD) and a financial assessment of the project.**

**Recognising that this assessment could mean the difference between "make or break" in a development, we have created a checklist that assists in identifying some of the main issues that need to be factored into your DD and financial feasibility before making the decision to acquire a property for development.**

**If there are areas that you require further assistance or information in regards to, please contact our property team on (+613) 9816 4200 or on this email [admin@buscgroup.com.au](mailto:admin@buscgroup.com.au) to discuss the matters further. Please check out our other property development resources on our website [www.buscgroup.com.au](http://www.buscgroup.com.au)**

Review Planning Considerations	Action/Notes	Date Completed
Review the planning scheme for the property. This includes the zone, development and other overlays. <a href="http://services.land.vic.gov.au/maps/pmo.jsp">http://services.land.vic.gov.au/maps/pmo.jsp</a>		
Contact council planning department in regards to development prospects and to get an understanding of the costs, contributions and constraints.		
Consult with other authorities if property is impacted from Flooding, Heritage, Significant vegetation overlays, etc. Also get an understanding of the costs for contributions,		

fees and other costs and constraints.		
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Consult with planning consultant - second opinion		
on type of development and likelihood of planning approval and potential VCAT issues?		

Based on planning consultants' opinion get them to provide an estimate of the potential dwellings, sizes and potential configuration.		

Review Planning Considerations	Action/Notes	Date Completed
If property passes the initial assessment; <ul style="list-style-type: none"> <li>- Architect or draftsman to prepare a concept design with layouts</li> <li>- Seek letter of support from the council and authorities for the development</li> <li>- Prepare preliminary reports of significance that may affect development on the site. E.g. soil report, fauna &amp; flora, archaeological or historical significance.</li> </ul>		

If preliminary reports present planning/development issues, can and how will these issues be dealt with efficiently and costs effectively?		

Terms/ Background/ Negotiation	Action/Notes	Date Completed
Understand Vendors motive for selling - This will help determine how/if you negotiate the purchase terms and price What contract terms will the vendor accept? - Options - Settlement period - Subject to Due Diligence Period - Other conditional purchase based on permit/DA/Subdivision approval - JV with vendor	          	          

Do the terms allow enough time to investigate and prepare a proper due diligence and financial feasibility? Has the property already been de-risked? •Permit approved •Presales in place, etc. •Construction ready	          	          
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Terms/ Background/ Negotiation	Action/Notes	Date Completed
What information/reports are readily available? Does the vendor already have some information that can assist in fast tracking your assessment of the site? Has your legal advisor reviewed the contract? Do not commit to an unconditional contract unless full DD and financial feasibility have been prepared.	          	          

Equity Investment and Debt Funding	Action/Notes	Date Completed
How will you market this opportunity to your potential investors?		
Will you need an Australian Financial Services Licence (AFSL) to raise capital?		
Does this project meet the terms and conditions for your investors? ie type, location, scale, duration, return, etc		
Do you have foreign investors? May need to consider tax and structuring issues with this.		
Has a binding agreement been entered with the investors prior to committing to an unconditional contact/offer? Do you have the funds already committed from your investors?		
Consult with financier/ finance broker on finance t & c's for this type, location and scale of development		
Will you have any issues in meeting the financiers T & Cs? ie history and creditability of the developer, Directors guarantees, development structure, presale requirements, , limit on overseas purchasers, lending ratios, etc		

Equity Investment and Debt Funding	Action/Notes	Date Completed
Does your financial feasibility take into consideration all the lending ratios and issues surrounding the finance T & Cs?		
Are you presenting your project and financial feasibility in a format		

suitable for approval by the financier?		
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If preliminary assessment on site looks favourable, consider getting a valuation prepared before acquisition. Should be prepared by a valuer that is on the panel for most banks. Saves issues surrounding shortfall of equity at settlement		

Market Research and Sales	Action/Notes	Date Completed
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Have you got the right product for the market?		
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Have you consulted local real estate agents to assist with the product mix and pricing?		

Have you analysed the demographics of the market you are in? Investors/ Owner occupier mix. Disposal income per household, average age of households, no of people per household, etc		

Analyse the no. of competing developments - approved or in construction		

Analyse the no. of properties on the market, avg days on market, clearance rates - These statistic all help support the demand/supply in that location		

What commissions are required to be paid? 5% for presales? 2% for retail?		

When are the commissions required to be paid? 50% upfront/balance at settlement?		

Market Research and Sales	Action/Notes	Date Completed
Will the financiers fund any sales or marketing costs?		
Is your pricing comparable with current market pricing for the area?		
What are the sales rates and price per square metre for properties for the area?		
Analyse comparative sales for similar product in the area		
Development Structuring Considerations	Action/Notes	Date Completed
What is your strategy with the development? Develop to sell/hold/mixture of both?		
Will there be other equity partners involved?		
Are SMSFs providing equity for the development?		
Have you considered all the issues surrounding SMSFs and their involvement in a property development?		
Have you considered all tax and structuring issues with foreign investors?		
Under what agreement is the property being purchased? Option, Due diligence, contract of sale, heads of agreement, etc		
Is the development a joint collaboration with the land owner?		
Do you or the investors want to access tax losses throughout the development?		

Development Structuring Considerations	Action/Notes	Date Completed
In the event that the development makes an overall losses or collapses, will you and the investors want to access these revenue losses?		
What agreements do you have in place or will you need to put in place with all the stakeholders? JV agreement, Unit holders agreement, DM agreement, Shareholders agreement, etc		
Are the agreements fair and equitable? Have they been tried and tested before?		
Will you and other related parties be personally exposed in the case of the acquisition or development did not proceed or fall over?		
What risk mitigation strategies will you undertake for the project?		
Has your chosen structure covered off all the above relevant issues?		
Risk Mitigation and Exit Strategies	Action/Notes	Date Completed
What are your exit strategies on the acquisition? Options, Due diligence periods, Refundable deposits, etc		
What happens if you don't get the planning approval you are after? Is there an alternate permit that would still be feasible? Have you produced a financial feasibility for this outcome?		
How does your Investor's agreement cover off the event if any		

<p>further unforeseen equity contributions will be required?</p> <p>Do all your investors have the extra funds to contribute?</p> <p>What happens if they can't contribute more funds?</p> <p>Do they forfeit their investment? Will any changes in the ratio of contributions trigger a change in the equity structure and therefore potential for CGT and stamp duties?</p>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>							<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>						

Risk Mitigation and Exit Strategies	Action/Notes	Date Completed												
<p>What other risk mitigation plans do you have in place as the developer? Asset protection, estate planning, success planning, etc. What happens if you pass away? Who will take over? Is there someone you can trust to take over? Does it get sold off?</p>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>							<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>						
<p>Are all development entities Special purpose vehicles? Will they be wound up on the completion of development?</p>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> </table>			<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> </table>										
<p>How will you retain investment stock? Have you considered the risk against the development in this strategy?</p>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> </table>			<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> </table>										
<p>Does your feasibility consider worst case scenarios? Has enough equity been raised to cover longer than expected holding period?</p>	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>				<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>									



Financial Feasibility	Action/Notes	Date Completed
Prepare an initial financial assessment based on Rule of thumbs based on industry averages and knowledge from previous projects. Where has this data accumulated from? Proceed if initial assessment is viable.		
Prepare a monthly cash flow		
Link cash flow to project profit and loss including all financial and investor ratios.		
Prepare a sales schedule base on real estate agent and comparative sales.		
Builder Estimate based on architects concept plan.		
Verification of financial feasibility and costs by advisers or QS.		

## Accountants & Business Advisers

Financial Feasibility	Action/Notes	Date Completed
Does the financial feasibility meet all the lending ratios required by the financier? Margins, LVRs, peak debt, etc.		
Does the financial feasibility meet the required minimum returns for your investors?		
Have you valued your own equity in the transaction?		
Are your estimates conservative in terms or sales, timeframes		

and costs?		
Have you assessed issues with timing differences in costs versus reimbursements? i.e. payment of bonds, delivering infrastructure to be reimbursed by authorities, etc		
Does your financial feasibility deal with all tax relate issues include; Understanding the basis that the development is being conducted? i.e. on revenue or capital account.		
GST and timing of GST refunds and payments On what GST basis are you acquiring the property? Margin Scheme, input taxed, unregistered, going concern, GST, etc What GST will be able to be claimed throughout the development? Will the GST margin scheme be available when selling the developed properties?		
Is the site being acquired from a charitable organisation? Will Special Land Tax apply to the acquisition?		
When will the equity be contributed into the project? Will this create issues with double stamp duty events, GST and capital gains under your structure?		

Financial Feasibility	Action/Notes	Date Completed
Is the development being conducted in stages? Have you factored into your financial feasibility the cash flow timing of paying income tax on each stage?		
What is the timing of the tax losses? Can these losses be utilised against other profits?		
Will you be activating an "and/or nominee" clause? Have you considered any stamp duty issues with the "Sub Sale" rules?		
Is there any issues with "Economic Entitlement" rules under the Land provisions in the Duties Act?		
Have you factored in Land Taxes to your holding costs?		
If your entity is going to be foreign controlled, have you considered all issues with Thin Capitalisation, Transfer Pricing and Withholding Taxes?		

***Doing your due diligence should not just be done from a planning point of view. It is imperative that all these tax, financial and risk matters have been covered off prior to the acquisition to ensure a successful development. If there are areas that you require further assistance or information in regards to, please contact our property team on (+613) 9816 4200 to discuss the matters further.***

***Please check out our other property development resources on our website [www.buscgroup.com.au](http://www.buscgroup.com.au)***