

# PROPERTY DEVELOPMENT SYSTEM

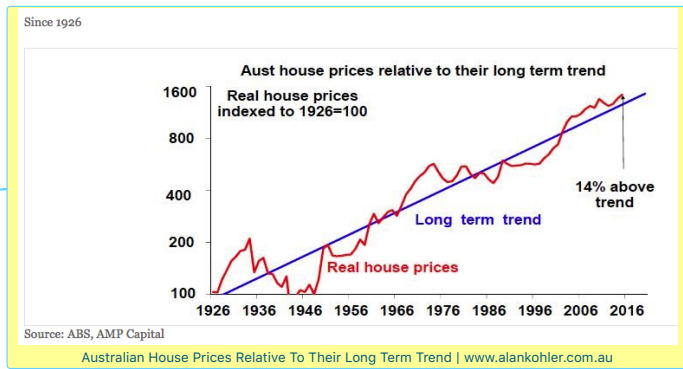
Property Clock

## Theory

Only 2 Possible Directions, property prices can move.

- Up
- Flat
- Down

Over long term, because of inflation, prices will always go in the upward direction.



Ideal in theory, difficult in reality

- No Crystal ball
- Educated decision
- Novice Investors/Developers skip this step & go by what I like to call HOPE PROPERTY DEVELOPMENT

## Market Cycles

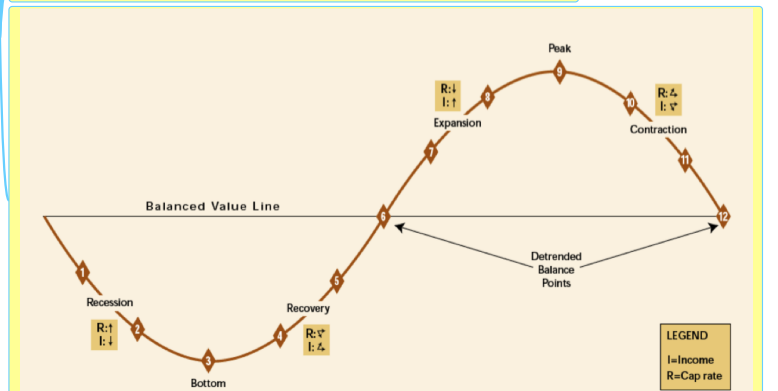


Difficult to identify the bottom.

INVESTORS - Right time to buy is when the Market has started to pickup- for investors.

DEVELOPERS - No right time to buy. If a deal stacks up, it stacks up.

The property market moves between cycles of price growth and decline. It takes time for a new trend to emerge. During this time prices generally stay flat.



## Phases Explained

Phase 1 - Buyers start to run out steam.

- Longer days on the market.
- Consider selling NPAs (Non-Performing Assets)
- Reduce Debt

Phase 2 - Spike in mortgagee auctions

- ACR (Auction Clearance Rates) Falls < 50%
- Manage debt
- Avoid Distressed sale
- Invest in areas primed for capital growth.

Phase 3 - Home affordability improves

- Increase debt

Phase 4 - Strong demand - rapid price growth

- ACR > 70%
- Increase debt to 80%

Be aggressive during boom and conservative during a downturn.

Astute investors adapt to changing market conditions.

By varying their debt levels.  
By deciding on whether to Develop and Hold or Develop & Sell.

## Indicators

Indicators	Recession	Recovery	Expansion	Contraction
Supply	Declining, NIL	Minor	Beginning to Increase	Increasing greater than demand
Demand	Declining	Beginning to Increase	Strong, Greater than new supply	Positive but slowing
Vancancy	Increasing to Highs	Decreasing to balanced rate	Declining to lows	Increase to balance rate
Rents	Falling	No growth	Positive Growth	Positive growth but slowing
Cap Rates	Increasing	Stable at high rates	Starting to Decline	Declining as capital flows
Investors	No Transactions	Bottom fishers	Interested	Interested
Value Impacts	Incomes declining with increasing cap rates	Income improving with high cap rates	Incomes improving with decreasing cap rates	Incomes stable or declining with stable or increasing cap rates

Market Indicators

