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BUSINESS ESSENTIALS IN REAL ESTATE

Workshop #1

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- Real estate industry specialist
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MY INSIGHTS

NEED TO KNOW

BEYOND THE NUMBERS

GROUP / INDUSTRY

APPLICATION TO YOU

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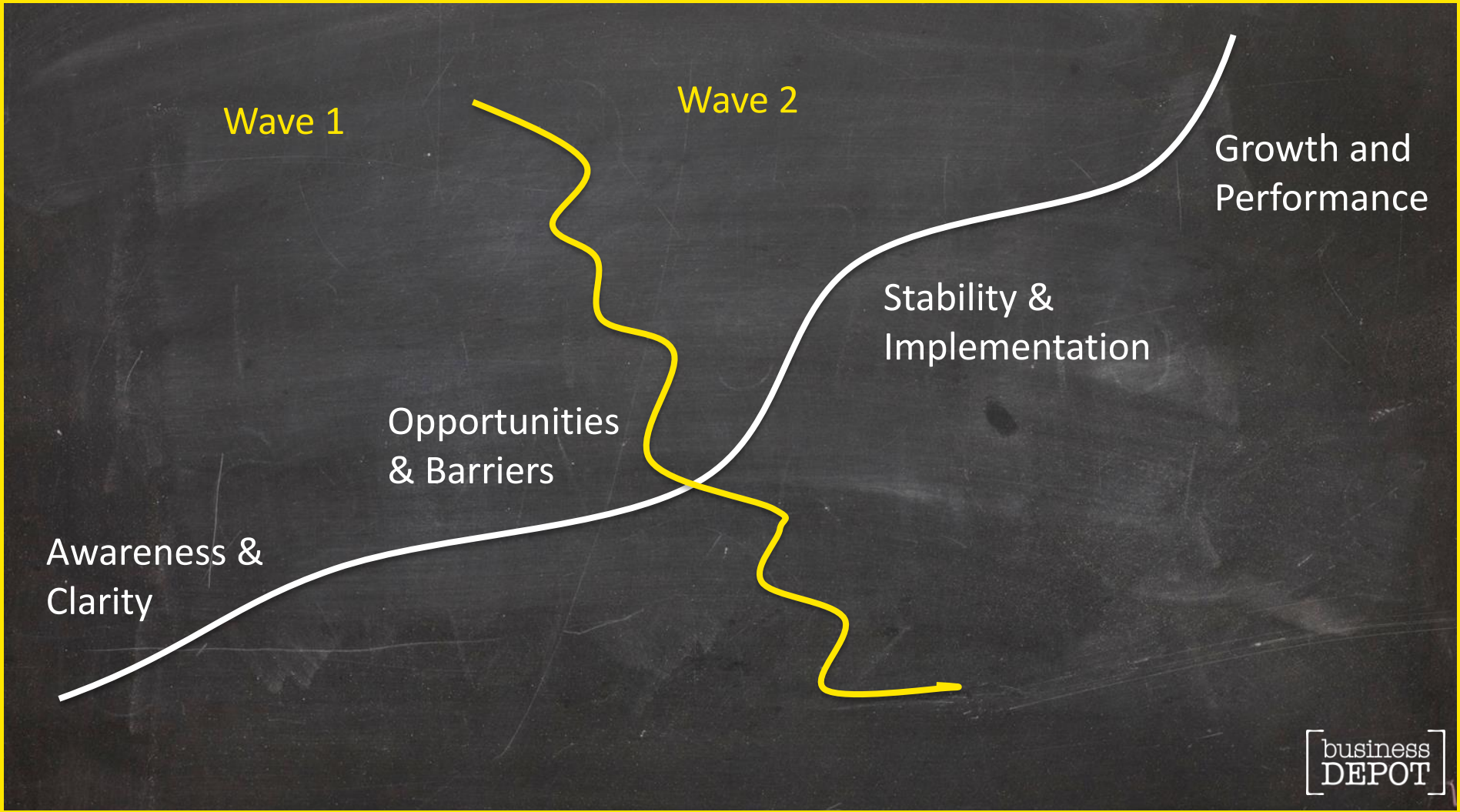
WORK ON WAVES OF CHANGE
Courtesy of T-Mobile


Wave 1
Wave 2
Growth and Performance
Stability & Implementation
Opportunities & Barriers
Awareness & Clarity
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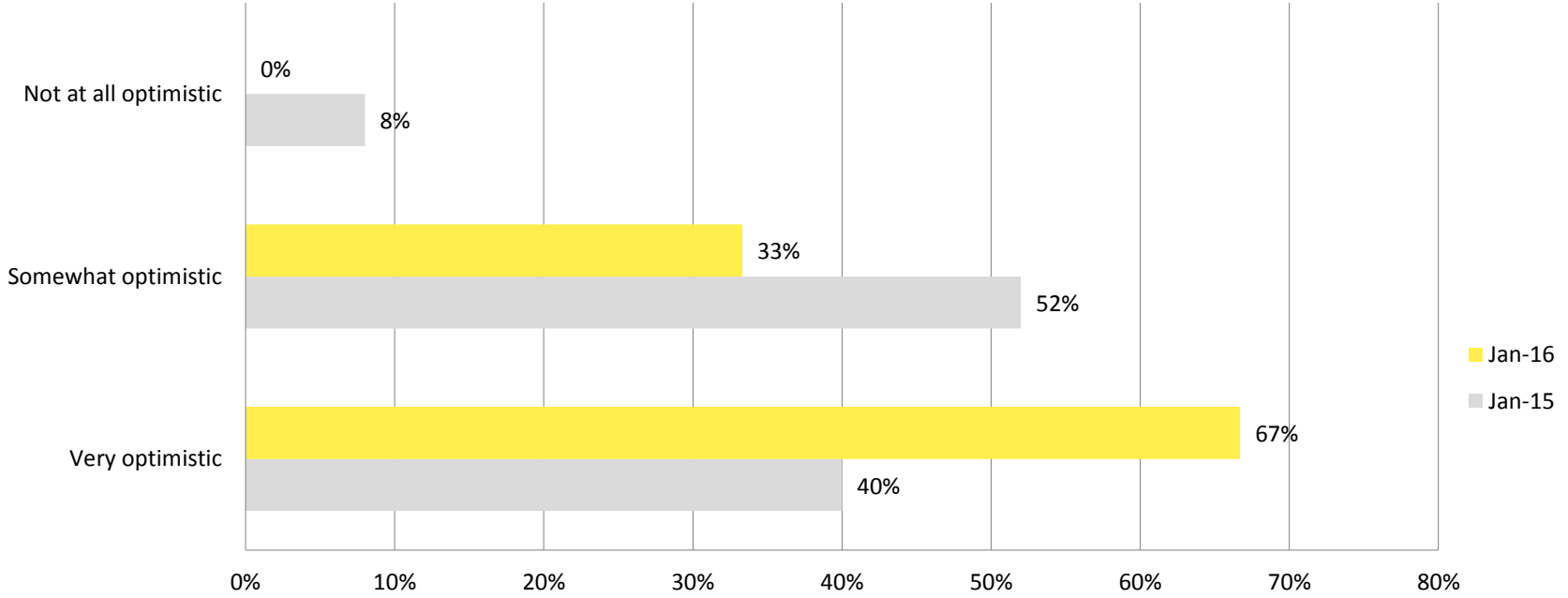
HOW OPTIMISTIC ARE YOU ABOUT 2016?

MOST ARE VERY OPTIMISTIC ABOUT 2016

Proportion of all responders



Source = businessDEPOT Optimism Survey Jan 16

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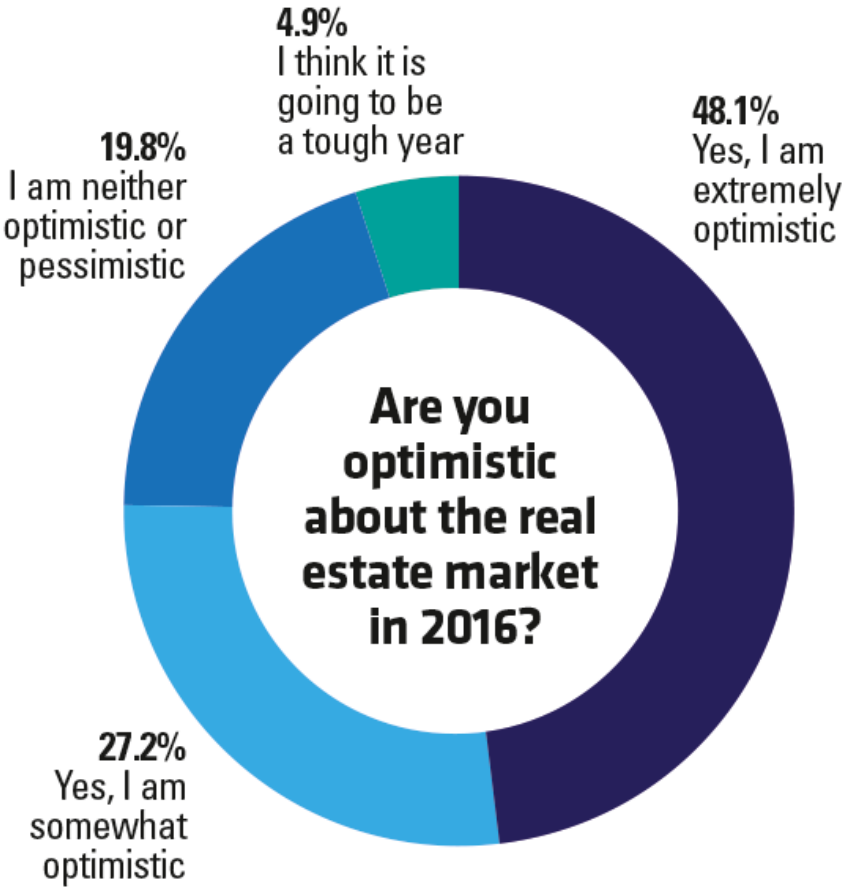
ELITE AGENT

LEARN FROM THE BEST



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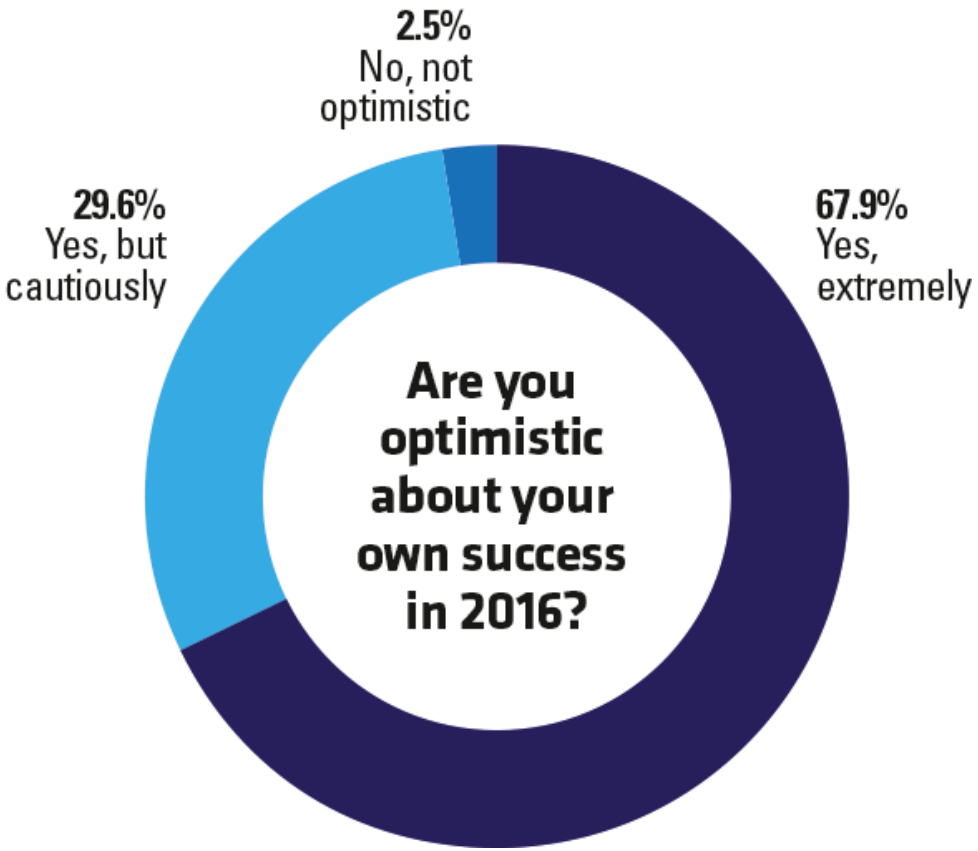

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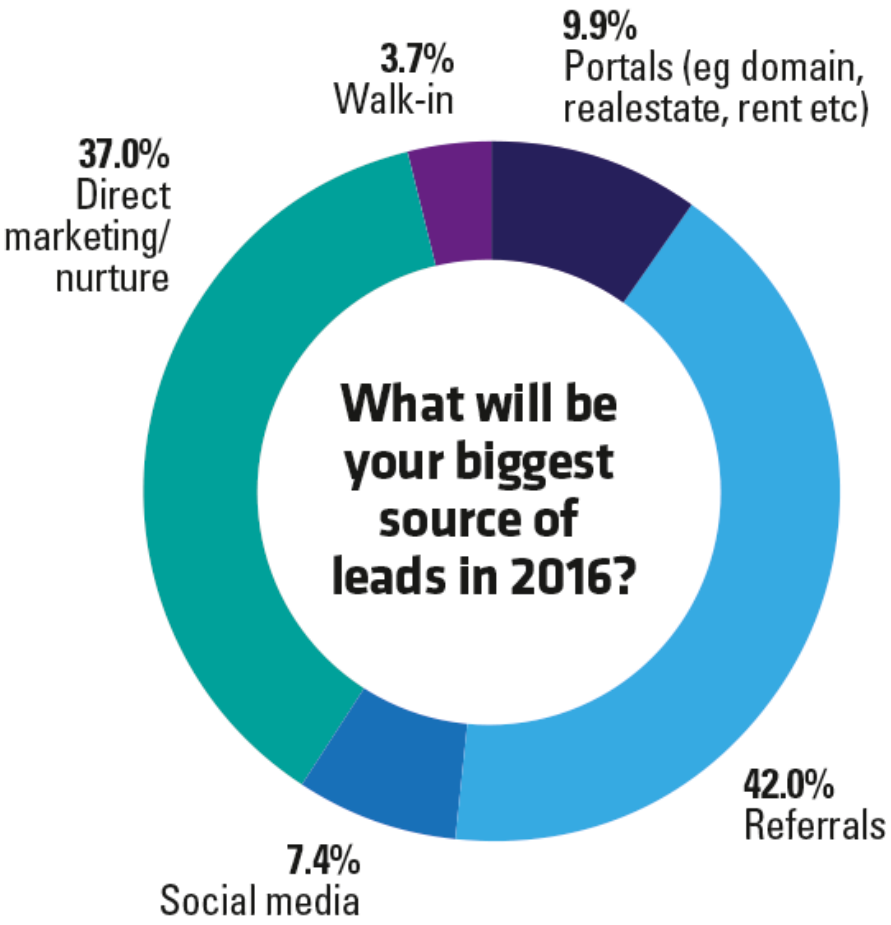
LEARN FROM THE BEST



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ELITE AGENT

LEARN FROM THE BEST

http://eliteagent.com.au/2016/02/12/what-does-2016-hold-for-your-business-and-the-industry/

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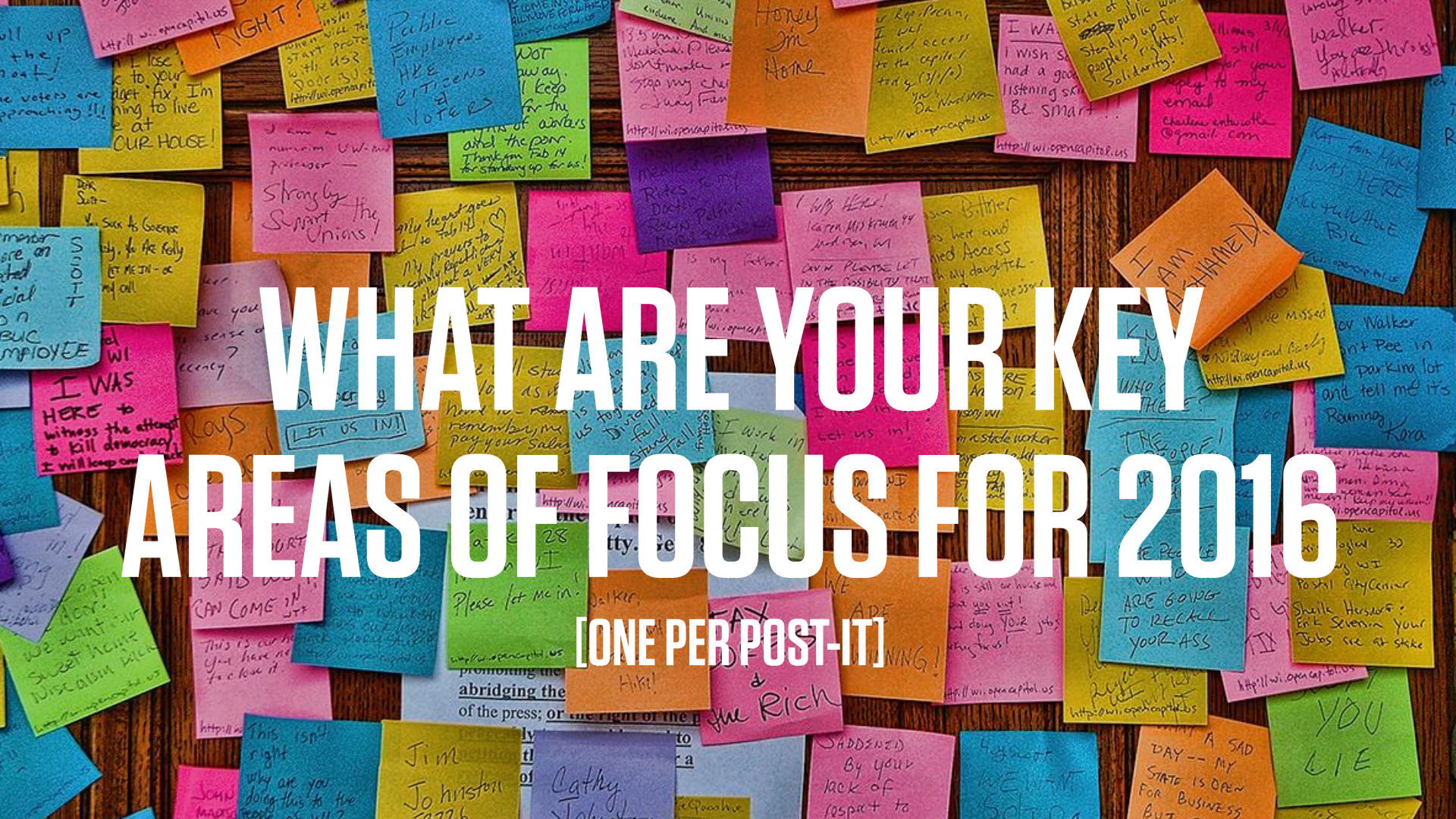
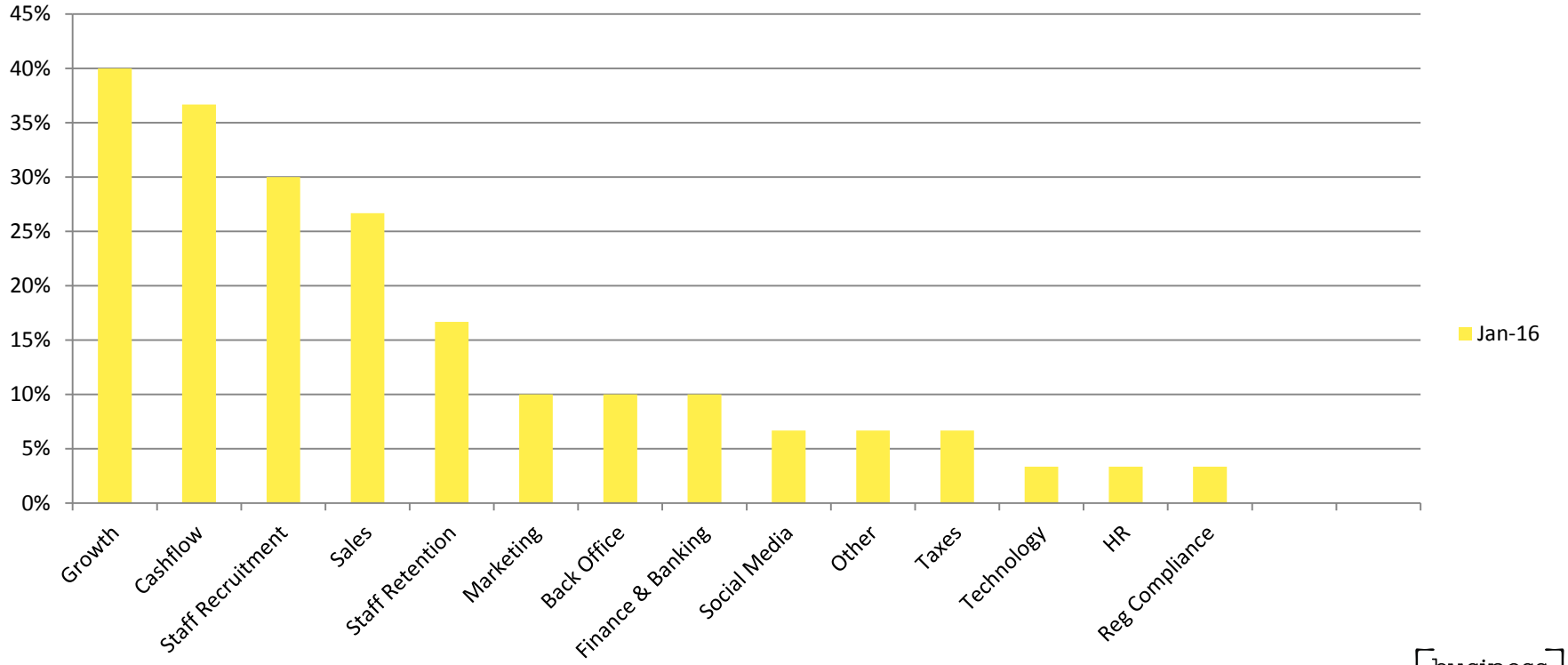

WHAT ARE YOUR KEY AREAS OF FOCUS FOR 2016
[ONE PER POST-IT]

GROWTH STILL VERY MUCH ON THE AGENDA



Source = businessDEPOT Optimism Survey Jan 16

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WHAT'S HOLDING BACK
YOUR GROWTH STRATEGY?
[Growth was no.1 focus last year too]

WHERE DO YOU START?
WHY DO PEOPLE DO BUSINESS WITH YOU?

http://youtu.be/26PVrm4iLA0

WHAT MAKES
YOU
[OR WILL MAKE YOU]
DIFFERENT
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YOU DON'T KNOW WHAT
YOU DON'T KNOW
[benchmarks can help with awareness]

WHAT PROFIT SHOULD MY REAL ESTATE BUSINESS MAKE?

[It all depends on the business model]

3 R's of REAL ESTATE

RISK

REWARD

RELIANCE

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BUSINESS MODEL

Key Model Variables

- Sales v PM
- Selling Principal or Non-Selling Principal
- Growth Focus or Succession Focus
- Big or boutique [including multi-office]
- Multiple Principals
- Franchise or Independent

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BUSINESS MODELS

	One man show	Team Player	Empire Builder
Principal Role	Sales	Some sales and some leadership	Leader and business manager only
# salespeople	0 - some	5 - 20	> 20
Fixed Costs	Very Low	Controlled	High
Commission Model	Flat Rate	Some incentives	Strong Performance Culture
Prop Mgmt Size	Minimal	Growing	Large (or should be)
Multiple Offices	No	Maybe (not just for the sake of it)	Yes (if creates economies of scale)

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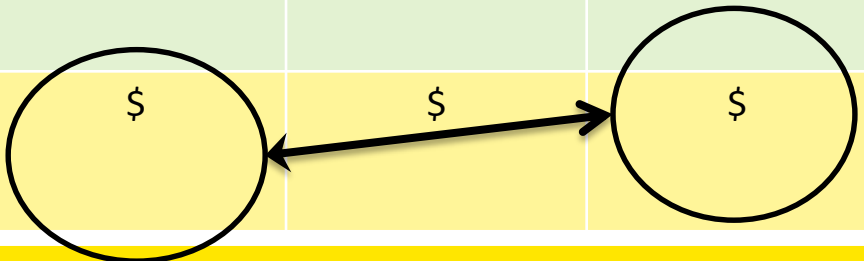
DIVISIONAL P&L'S [one way to focus on the model]

	SALES	PROP MGMT	PRINCIPALS	ADMIN	TOTAL
Income	$	$	$	$	$
- Variable Expenses	%	%	%	%	%
= GROSS PROFIT	$	$	$	$	$
- Fixed Expenses	$	$	$	$	$
= NET PROFIT	$	$	$	$	$



WHAT PROFIT SHOULD MY REAL ESTATE BUSINESS MAKE?

There is no one answer for every business

PROFIT RANGES [from my sample]

Net Profit Before owners remuneration

SALES ONLY = 10% to 20% [with principal sales but depends on mix]

PM ONLY = 20% to 35% [but volume and growth focus does matter]

PM & SALES WITH DOMINANT SELLING PRINCIPAL/S = 20% to 40%
[but depends on mix of sales between principals and others]

PM & SALES WITH NO SELLING PRINCIPAL = 10% to 25%
[but depends on strength of rentroll, focus on growth and fixed costs structure eg if multiple offices]

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PROFIT RANGES [from my sample]

Net Profit Before owners remuneration

businessDEPOT SAMPLE AVERAGE = 21%

[Based on a sample of bD clients considered 'benchmark' and typical but a mixture of business models]

BEST RESULT = 41% [25% of sales from Principal but very small rentroll]

MY PICK [PM & SALES] = 27% [14% from selling Principals + 16% income from PM + consistently performing sales team BUT at capacity]

MY PICK [GROWTH FOCUSED] = 21% [18% from selling Principals + 20% income from PM + growing sales and PM teams and with capacity to grow]

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IF I HAD TO MAKE AN EDUCATED GUESS ...
I WOULD SAY THE BENCHMARK NET PROFIT
[BEFORE OWNERS REMUNERATION] =

[= 21% to 25%]

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ABOVE AVERAGE RESULTS

You tend to need …

1. Large rentroll [to reduce risk and fixed costs]
2. Multiple principals [to reduce reliance and key person vested interest]
3. At least one selling principal [huge contribution to profit margin] and/or

   Consistently performing sales team [no baggage]

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BUT, IT'S VARIABLES WITHIN THE NET PROFIT % THAT MATTERS MOST ...

SP COMMISSION

My benchmark sample (average)

SP Comm as a % of Sales Income (excluding principal sales) = 51% (inc super)

SP Comm + Sales Support as a % of Sales Income (excluding principal sales) = 54%

SP Comm as a % of Sales Income (including principal sales) = 45% (inc super)

SP Comm + Sales Support as a % of Sales Income (including principal sales) = 49.3%

AGAIN, IT ALL DEPENDS ON MODEL AND MIX

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PM WAGES

As a % of income (my benchmark sample)

RANGE = 35% to 60% [but seen higher]

AVERAGE = 50%

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TOP 3 TAKEAWAYS FROM DISCUSSION ON BENCHMARKS

[When you compare to your business]

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CREATE A CULTURE DOES NOT TOLERATE WASTE

1. Overproduction
2. Waiting
3. Transporting
4. Inappropriate Processing
5. Unnecessary Inventory
6. Unnecessary Motions
7. Defects

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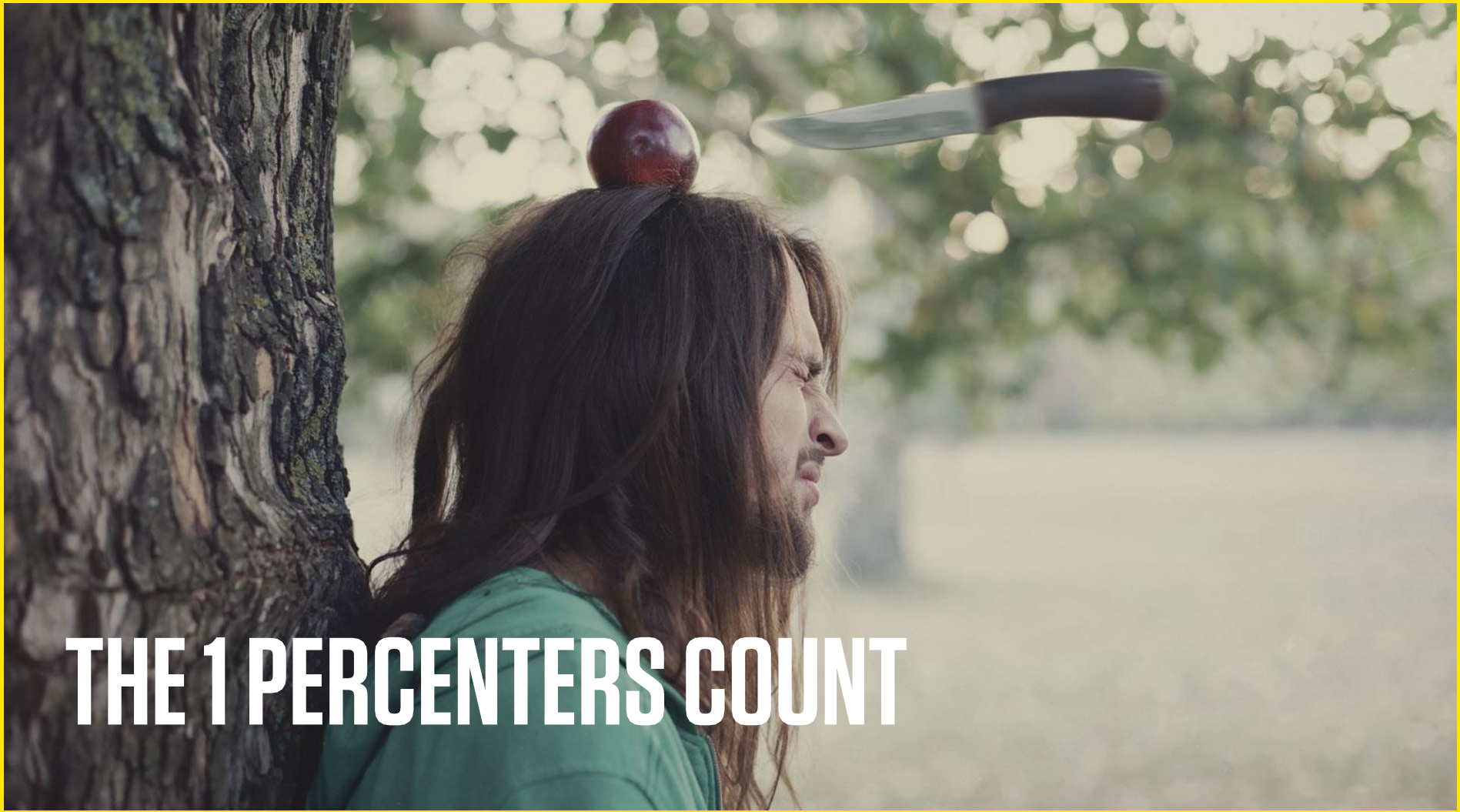
THE 1 PERCENTERS COUNT

SALES INCOME

	Example	NOW	WHERE
No. of Salespeople	***5***	5	
x No. Sales per month	***5***	5	
x Average Sale Price	***500,000***	500,000	
x Gross Office Comm Rate	***2.50%***	2.50%	
= Gross Income	***312,500***	312,500	-

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RAISING THE BAR OF AVERAGE

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PM INCOME

	Example	NOW	WHERE
No. of Property Managers	***5***	8.7	
x No. Properties per PM	***100***	93	
x Average Rental per week	***400***	550	
x Gross Office Comm Rate	***7.5%***	6.81%	
x 52 weeks a year	***52***	52	
= Gross Office Commission per annum	***780,000***	1,575,851	-

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@JAK_Knight
NO FREE LOADERS
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YES, ALL OF THIS WASTE
ALSO IMPACT VALUES!

MINI WASTE AUDIT ON YOUR BUSINESS

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BUT FIRST ...
ARE YOU READY?
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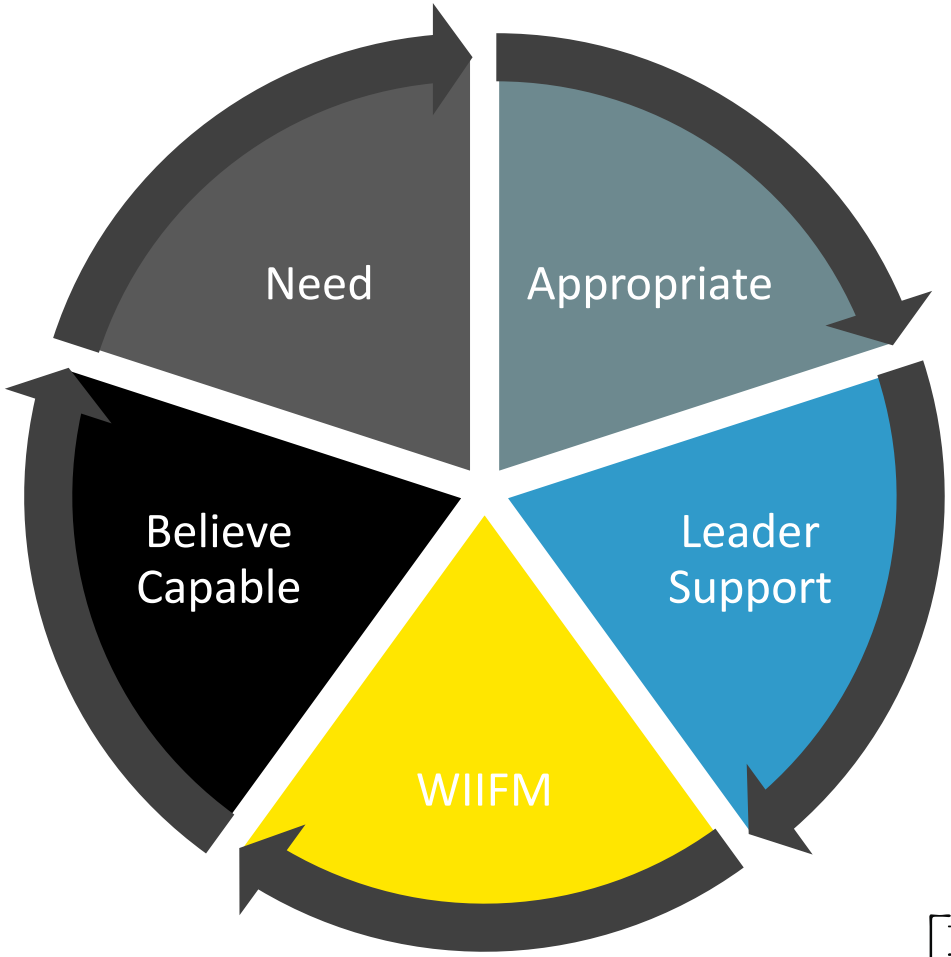
CHANGE READINESS

powered by MINDSHOP



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BUSINESS IMPROVEMENT STAGES

Visible

Structure

Invisible

Culture

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BUSINESS IMPROVEMENT STAGES

Visible

Structure

Waste

Invisible

Culture

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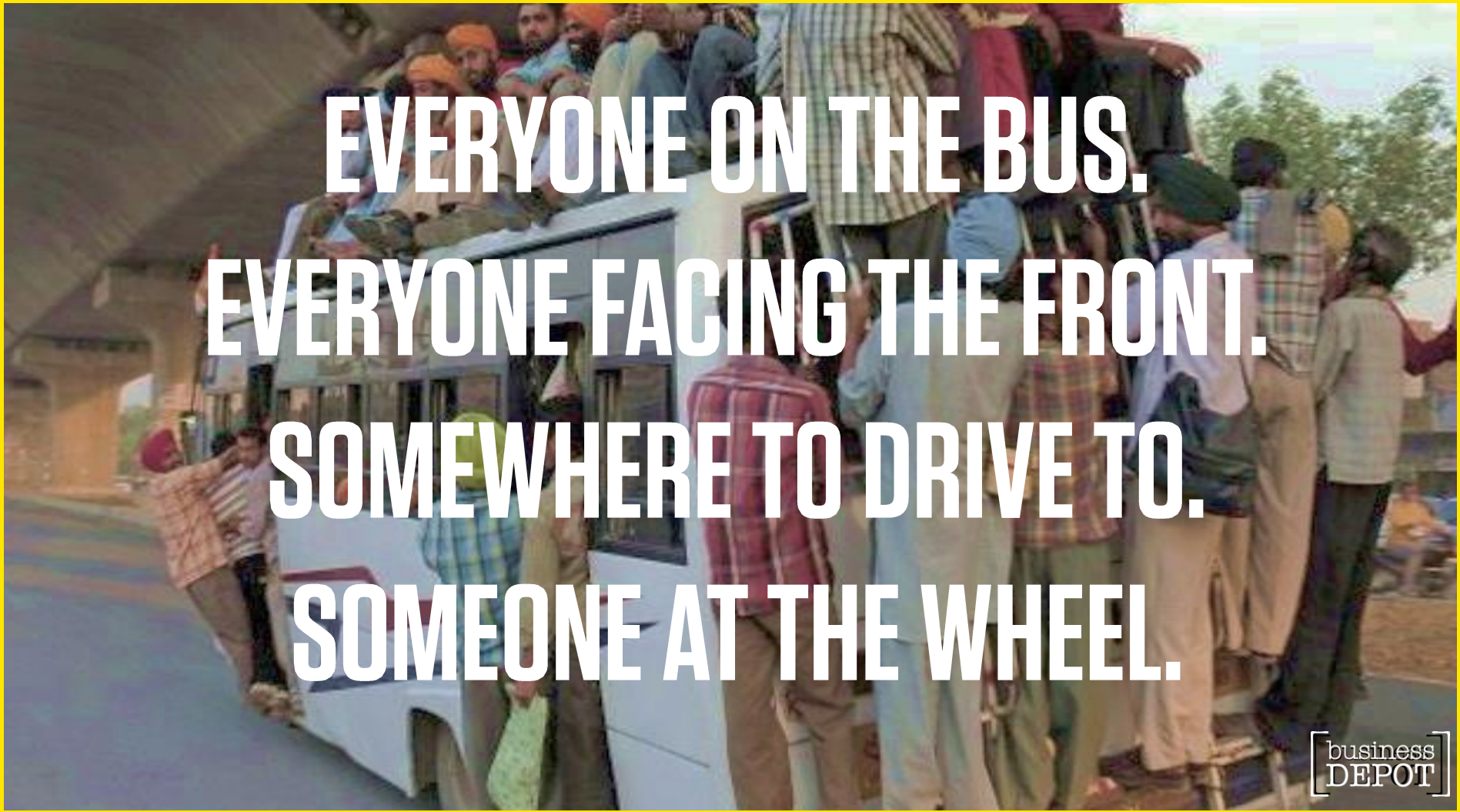
EVERYONE ON THE BUS.
EVERYONE FACING THE FRONT.
SOMEWHERE TO DRIVE TO.
SOMEONE AT THE WHEEL.
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ENGAGE WITH THE TEAM
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HOW DO YOU FIND YOUR OPPORTUNITIES?
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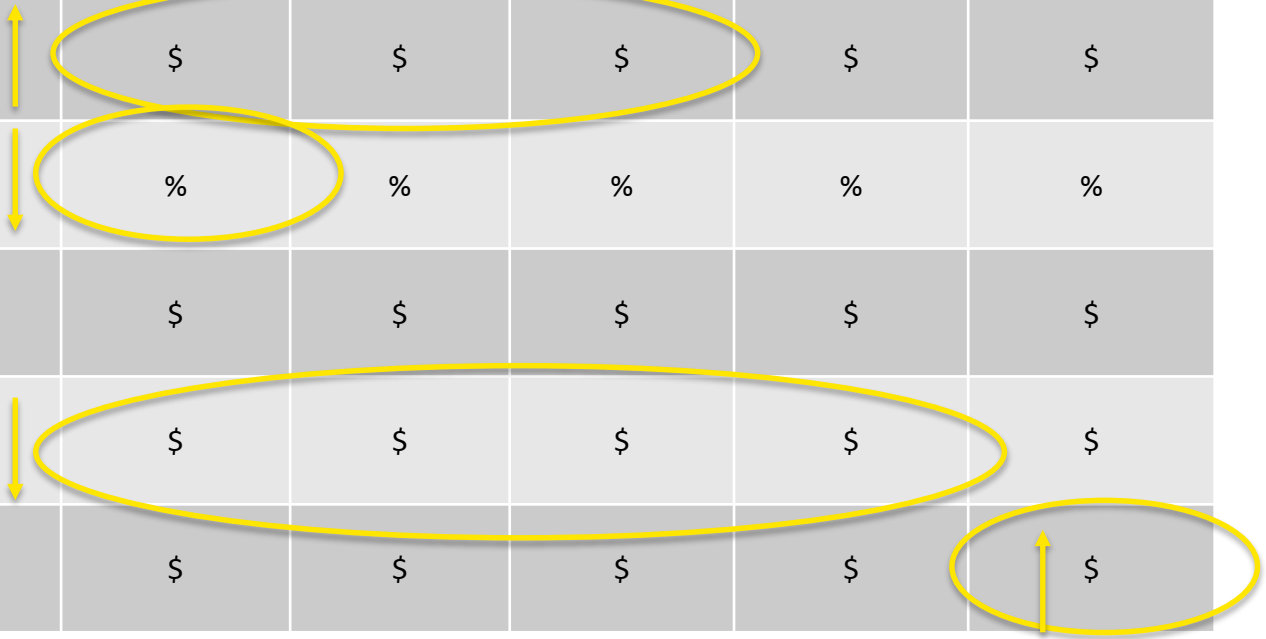
WHAT DO YOU SEE IN THE SAMPLE FINANCIAL STATEMENTS?

WHAT ELSE WOULD YOU LIKE TO SEE?

PROFIT MATRIX

	SALES	PROPERTY MGMT	PRINCIPALS	ADMIN	TOTAL
Income	$	$	$	$	$
- Variable Expenses	%	%	%	%	%
= GROSS PROFIT	$	$	$	$	$
- Fixed Expenses	$	$	$	$	$
= NET PROFIT	$	$	$	$	$



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STANDARD REPORTS

1. P&L for the month [by division]
2. P&L for the YTD [by division]
3. Balance sheet [as at]
4. Aged creditors listing
5. P&L for the month by person [or payroll summary by person]
6. O/s VPA by sales person

things can change overnight – if you understand your business, you can make the right decisions fast.

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DO YOU KNOW WHAT YOUR ARC IS?
STAFF MIX IS KEY

SHOW ME
THE MONEY!
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COMMISSION SPLITS

Top Ten Tips

1. Focus on Average Rate of Commission
2. Staff Mix is key
3. Every $ counts
4. Culture is still king
5. One transparent structure.
6. Minimum performance expectations at each level
7. K.I.S.S. [Keep it simple stupid]
8. Avoid bracket creep with automatic indexation
9. Expected. Good. Great.
10. You want to pay your team more.

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PROFIT EQUALS CASH

STRATEGIC SWOT

Strengths and Weaknesses [internal]
Opportunities and Threats [external]

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BRINGING IT ALL NOW BACK TO YOU!

Introducing …

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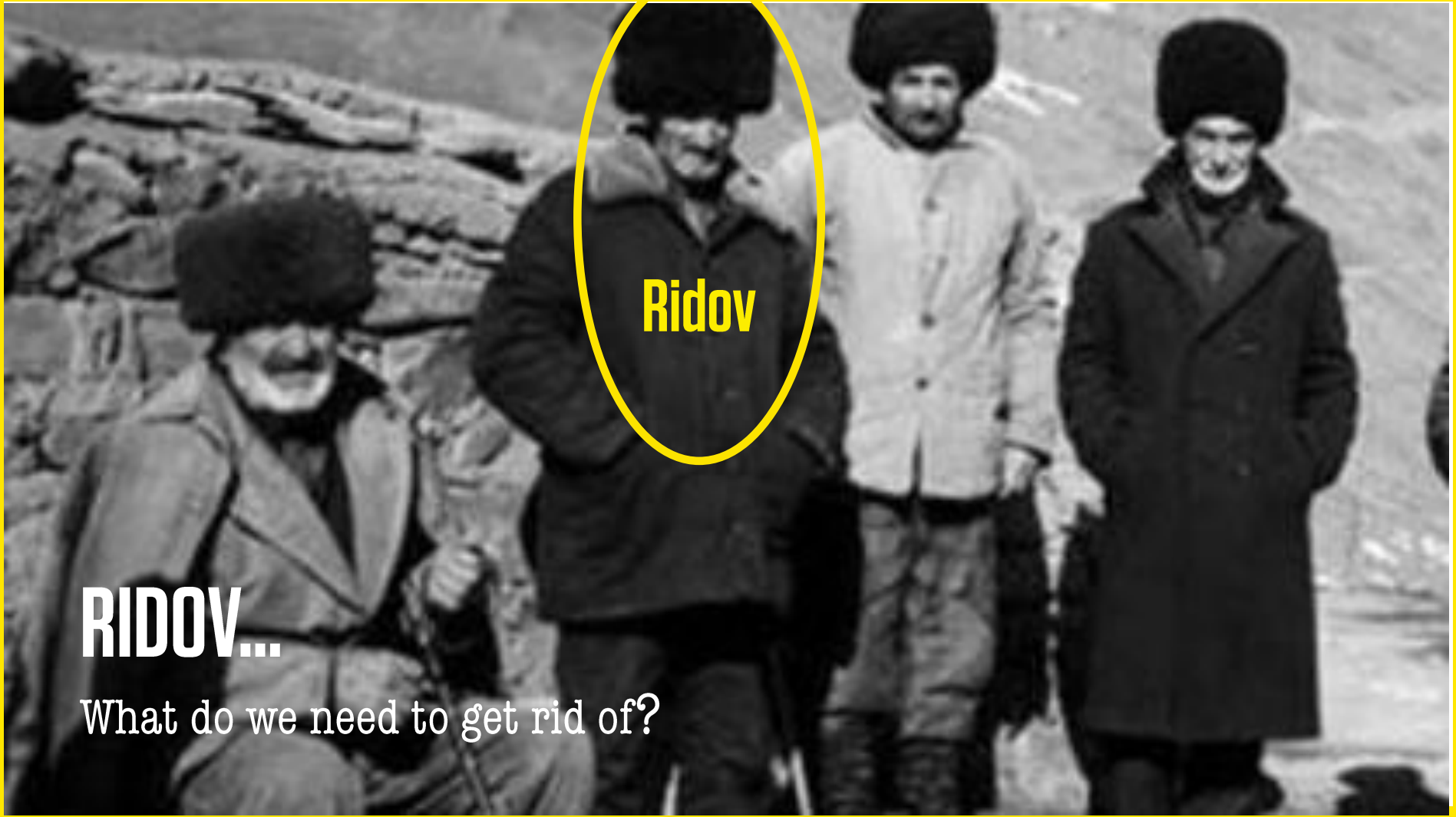
3 RUSSIAN BROTHERS AND THEIR COUSIN
(Courtesy of glenncapelli.com)

MOROV...

What works that we can do more of

LESSOV...

What do we need to do less of?



RIDOV...

What do we need to get rid of?

TOSSIN...

What aren't you doing that you want to be doing?

What do you want to toss in?

Lessov
Ridov
Morov
Tossin
WHO ARE YOUR RUSSIANS?

WHAT'S YOUR TOP 3?
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OTHER SERVICES

With or without the mentoring

- ✓ Business Health Checks
- ✓ Financial forecasts/budgets/projections
- ✓ Accounting & Tax Advice
- ✓ Better Business Workshops [standalone]
- ✓ Team strategic workshops
- ✓ Self-managed super funds
- ✓ Structure Reviews
- ✓ Tax Planning
- ✓ Succession Planning
- ✓ ATO Audit Support
- ✓ Remote Bookkeeping Bundles
- ✓ Virtual CFO services
- ✓ Conversion to Xero
- ✓ Management Reporting Setup

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WHAT TO EXPECT ...

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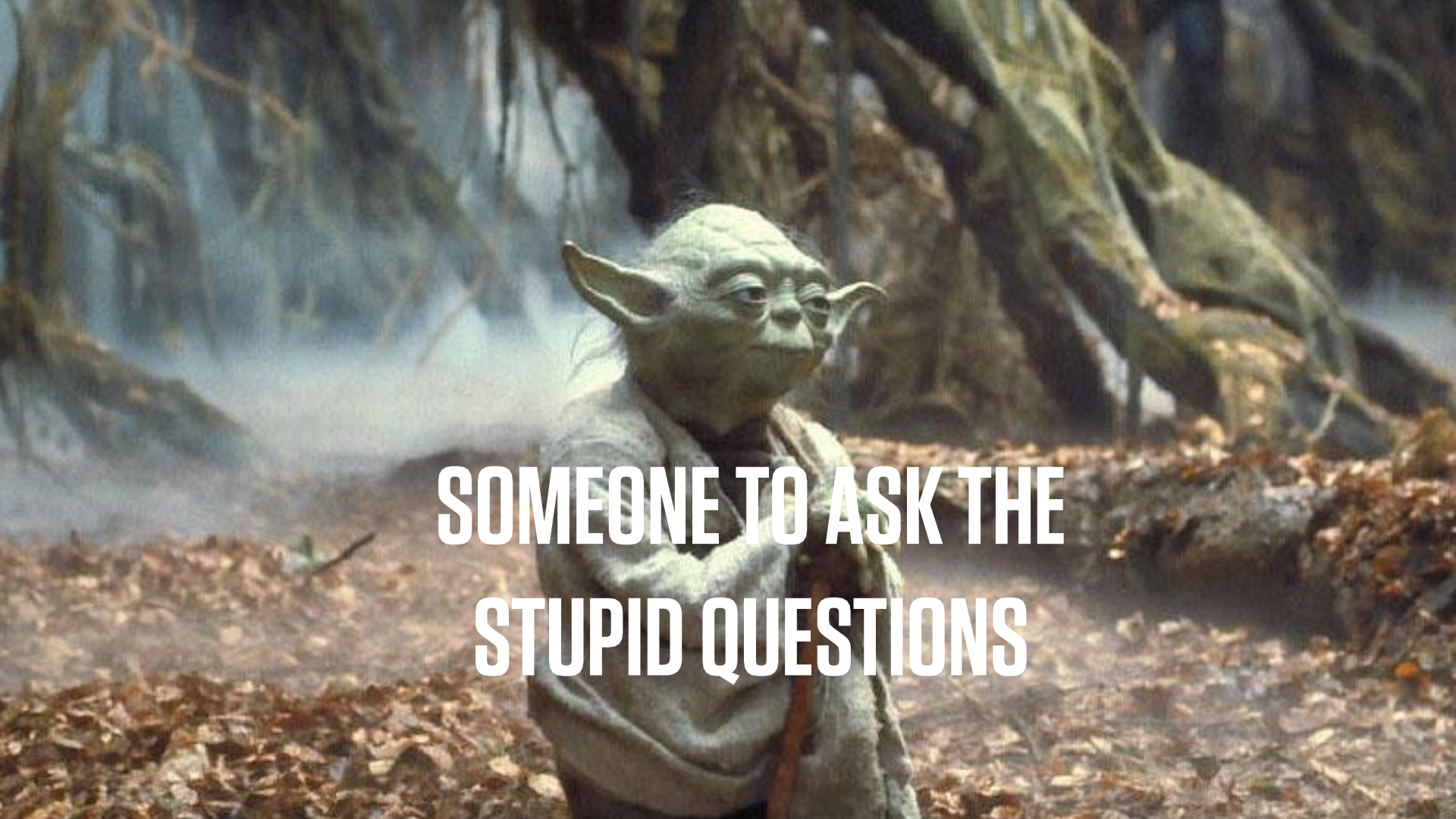
YOU GET THE RELATIONSHIP
FOR FREE.
[No asterisk. No clock watching. No 6 minute billing.]

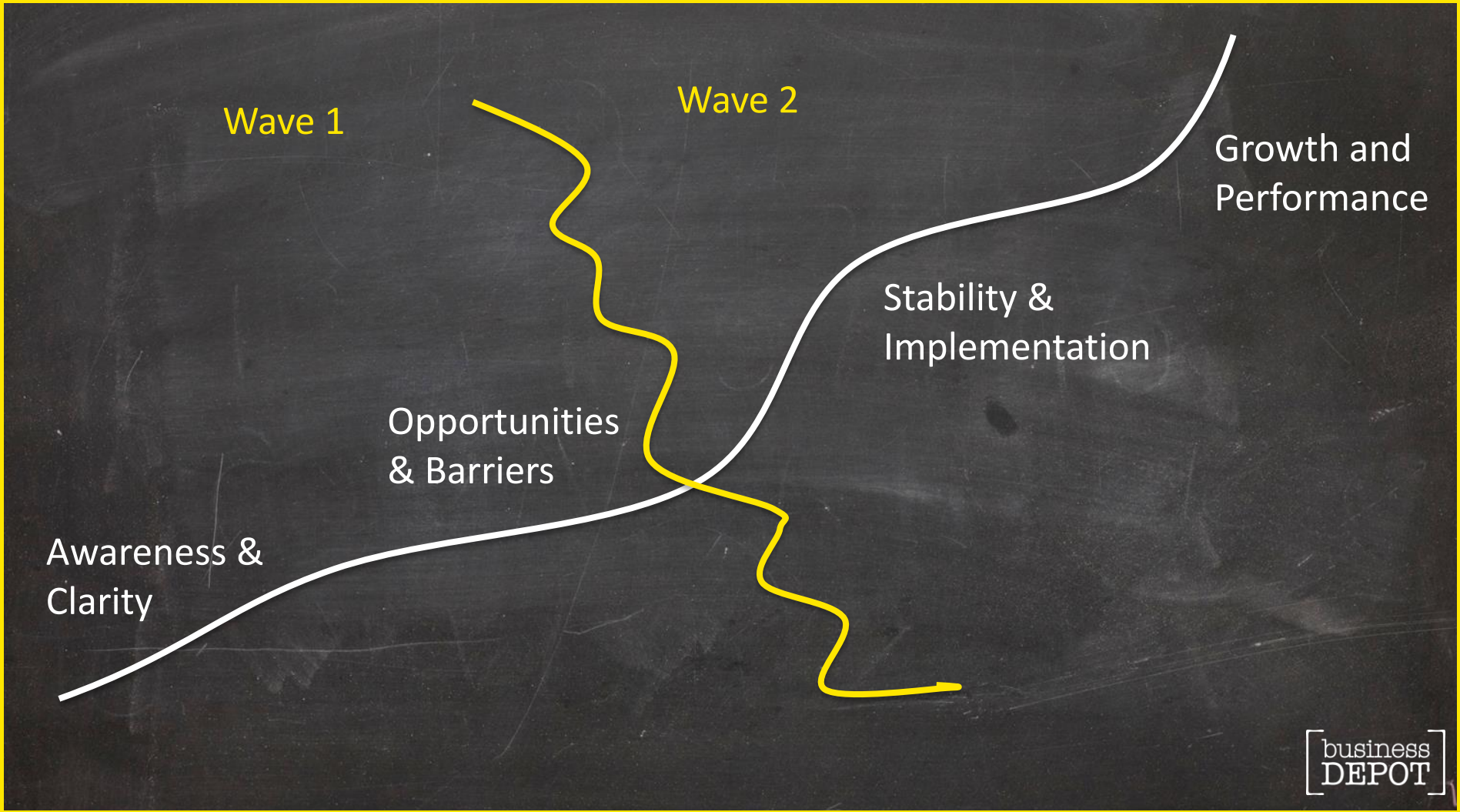
YOU DON’T KNOW WHAT
YOU DON’T KNOW
[that’s where we come in]

NO ROBOTIC MUMBO JUMBO

[we take a human approach to
you and your numbers]

WE'VE GOT ENERGY TO BURN.
[let's share the spark]


SOMEONE TO ASK THE
STUPID QUESTIONS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Growth and Performance
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Awareness & Clarity
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SALES ARE VANITY
PROFITS ARE SANITY
CASH IS REALITY

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TWEET / Thesalescat • 6 days ago

3 sales megatrends blog.sellingpower.com/gg...

Average person checks their mobile device 110 times per day! 15 million Aussies on facebook! Shift

★ Favorite ↻ Retweet ↩ Reply

NEWS / Dec 02, 14

You only turn 1 once!

Thank you and you and you!

NEWS / Nov 26, 14

The mathematics of increased profits

ALERTS / Dec 04, 14

Where is my BAS?

It's a question that many people have been asking - Where is my BAS?

INSTAGRAM / businessDEPOT Dec 02, 14

TWEET / ChristieLeppa • 1 weeks ago

If you need an office space for team planning look no further than @business_DEPOT Fortitude Valley. Amazing! pic.twitter.com/wBxU0uvHTs

★ Favorite ↻ Retweet ↩ Reply

NEWS / Nov 28, 14

businessDEPOT is recruiting ... no robots need apply

Look under the bonnet of businessDEPOT to see if it could be for you

DEPOT EVENTS

10 Dec DEPOT[x]

PRESENTATIONS / Nov 27, 14

[Presentation] Raise the Bar of your Real Estate Business

John Knight teams up with Macquarie Bank to talk business optimisation for real estate.

NEWS / Nov 20, 14

'Overheads' doesn't have to be a dirty word

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REAL ESTATE ACCOUNTANT TEAM

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