



DEAL ANALYSIS / RISK ASSESSMENT / JOINT VENTURES / DEVELOPMENT / MENTORING

# Real Estate Deal & Risk Analysis

Hosted by

Lee Warren

# What We'll Cover Tonight

- ⌘ Who is Lee Warren?
- ⌘ Some feedback...
- ⌘ What is Real Estate Deal & Risk Analysis  
aka *Maximising Profits in Property?*
- ⌘ Q&A

# Who is Lee Warren?

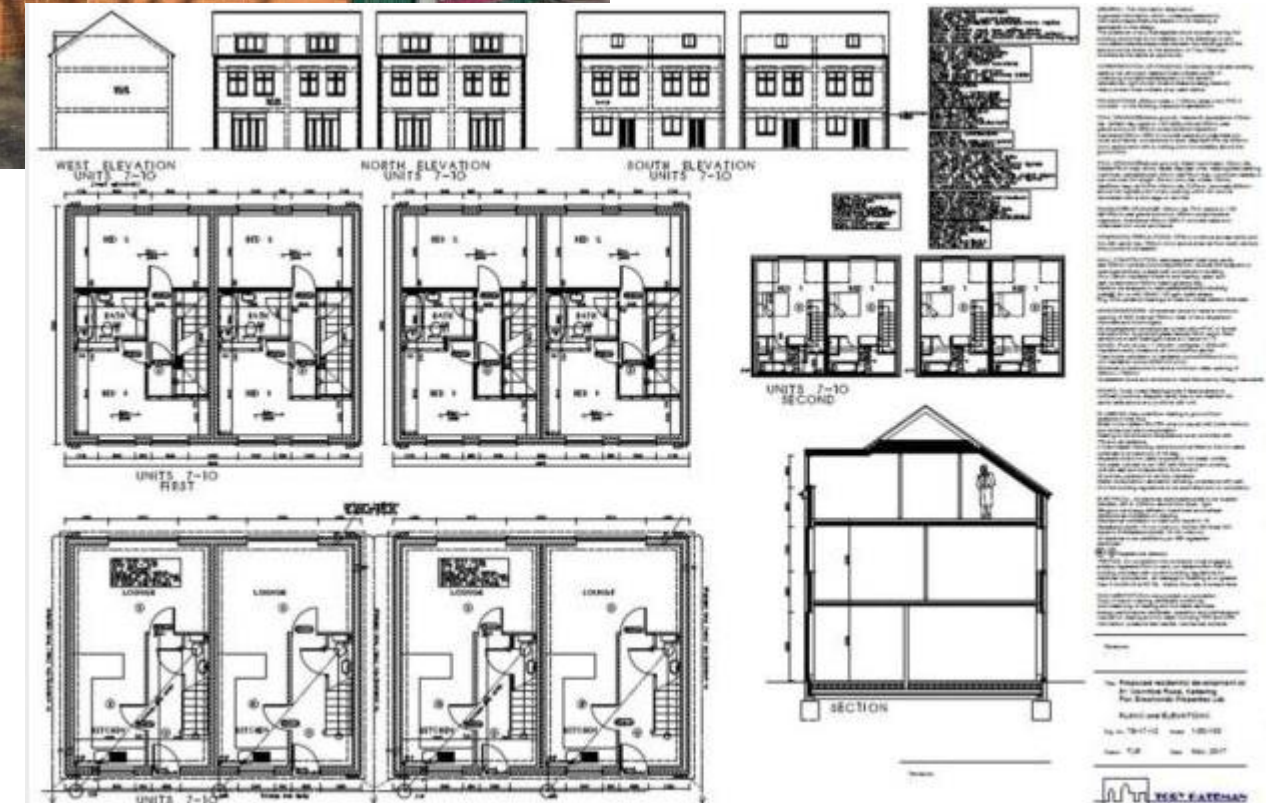
- ⌘ Lee Warren Property Consulting – Consultant
- ⌘ Warrich Homes Ltd – Director
- ⌘ Started in investment banking and asset management in 2002
- ⌘ Royal Bank of Scotland / Bank of America, Merrill Lynch, Deutsche Bank, Fidelity, Black Rock, First State Investments
- ⌘ Bouygues UK - 2008 (115,530 employees in 90 countries, sales €32.9 billion)
- ⌘ Management accountant responsible for £2bn+ of projects – including £600m Canning Town rejuvenation scheme
- ⌘ 2018 Completed commercial conversion of 14 apartments Hinckley, Leics.
- ⌘ Analysing profit potential on 3 apartment builds around Kettering/Corby





# Who is Lee Warren?

- ⌘ Warrich Homes Ltd – Director
- ⌘ 2018 completed commercial conversion of 14 apartments Hinckley, Leics.
- ⌘ Analysing 3 apartment developments





# Who is Lee Warren?

⌘ Lee Warren Property Consulting – Consultant

⌘ 121 Mentoring

⌘ Workshops – London, Kettering, Manchester

⌘ Masterminds

⌘ Keynote speaker





# Types of Projects



Canning Town Centre (Bouygues UK)

# Types of Projects



Home Office (Bouygues UK)



# Types of Projects



The Meadows, University of Essex (Bouygues UK)



# Types of Projects



North Middlesex University Hospital (Bouygues UK)

# Types of Projects



167 Willesden Lane (Bouygues UK)



# Types of Projects



St. George's Courtyard (St George's Courtyard Ltd)



# Types of Projects



552 Kings Road (Bouygues UK)



# Types of Projects



Bow School (Bouygues UK)

# Types of Projects



Westminster BSF (Bouygues UK)



# Feedback From Clients

*“It was a useful and solid workshop for me to get to the next level. I hope to see you soon.”*

**Paul S.**

*“I attended your Deal Analysis Workshop in London and I thought it was great. I love your very structured and analytical approach to evaluating deals!”*

**Carlos F.**

*“Thank you for the workshop it was very good content and clear presentation for me to understand. It was a really good day, and I was enjoying it, even the numbers which is complete new game to me.”*

**Gio R.**

# What Is Real Estate Deal & Risk Analysis?

“Looking at all the areas we can control in order to see the potential profit in a deal.”

“The ‘*offer*’ is the key to maximising profit. If it is too high, the deal may not work, if it is too low, the vendor may not accept it.”

“But how do we ensure that the offer price is correct?”

“Within a property deal, we as developers, have a number of areas that we can control...”

## Areas of Control

- a. Costs related
- b. Sales related
- c. Risks related
- d. Financing related

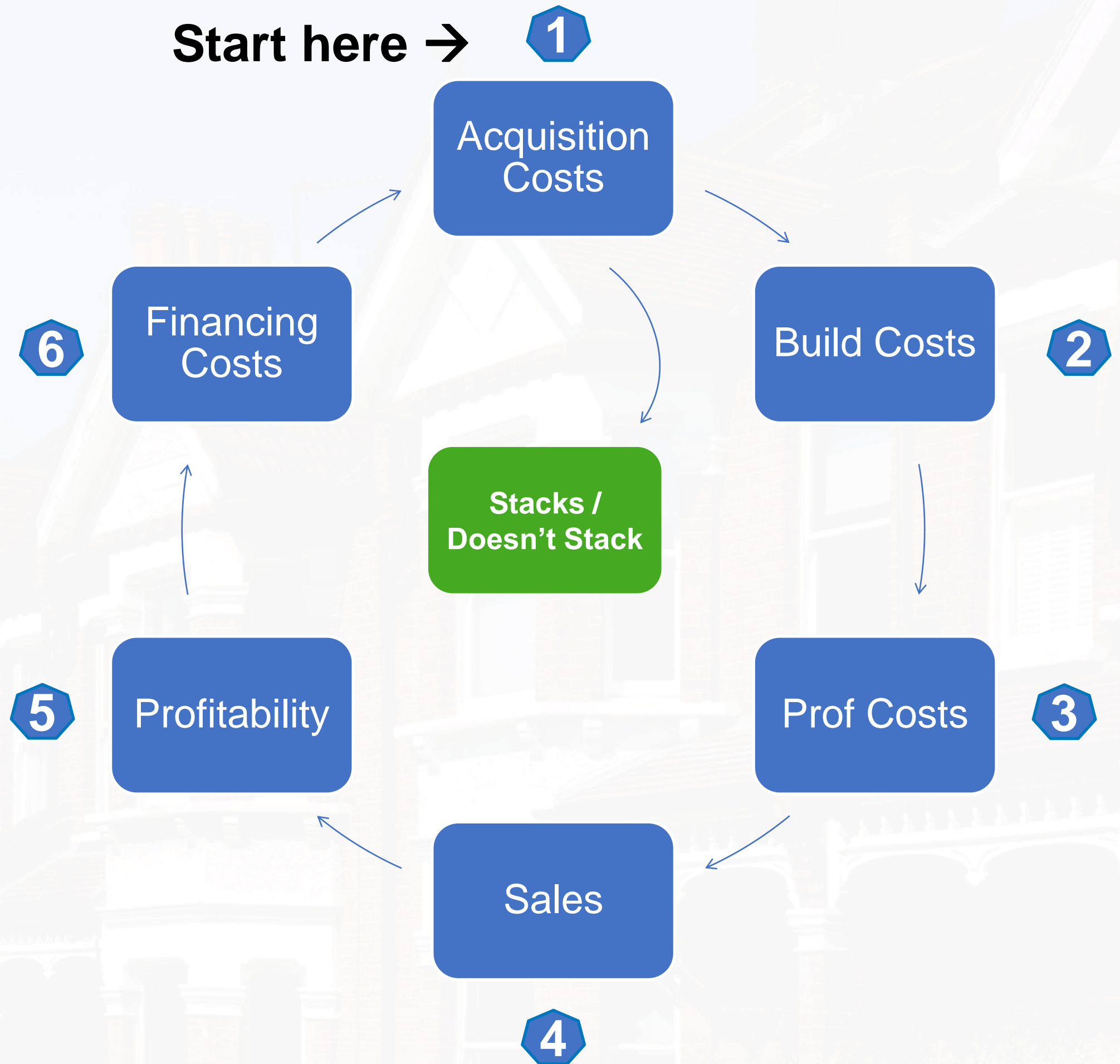


# What Is Real Estate Deal & Risk Analysis?

So, *“how can we maximise the profit potential in a property deal?”*

**Make sure we arrive at the optimum offer price!**

# How to Maximise Profit in Property?



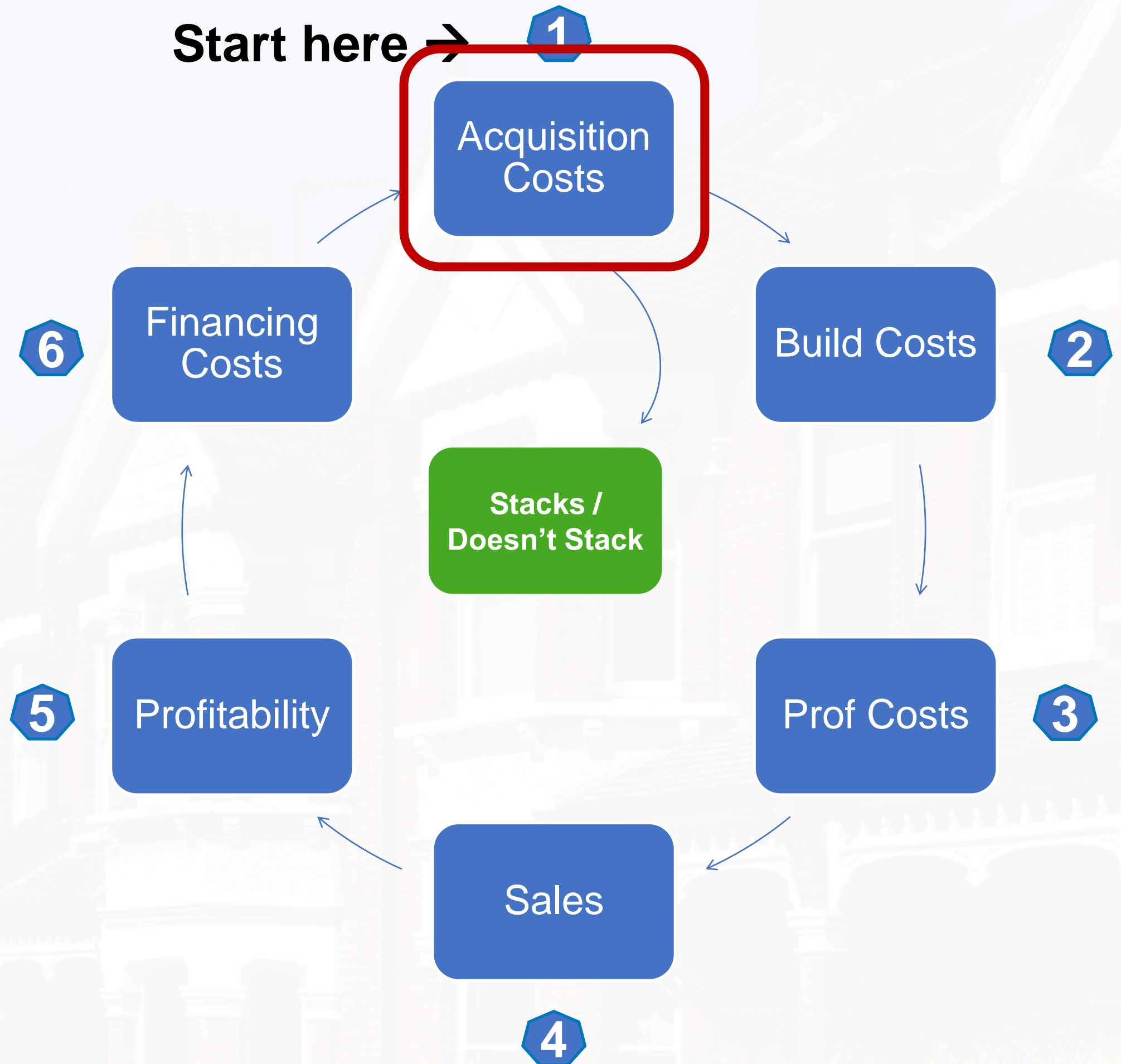


# How to Maximise Profit in Property?

## Acquisition Costs

Offer Price – iteratively arrived at  
Stamp Duty  
Legals  
Survey/Valuation (lenders)  
Other

Start here →



# How to Maximise Profit in Property?

## Acquisition Costs

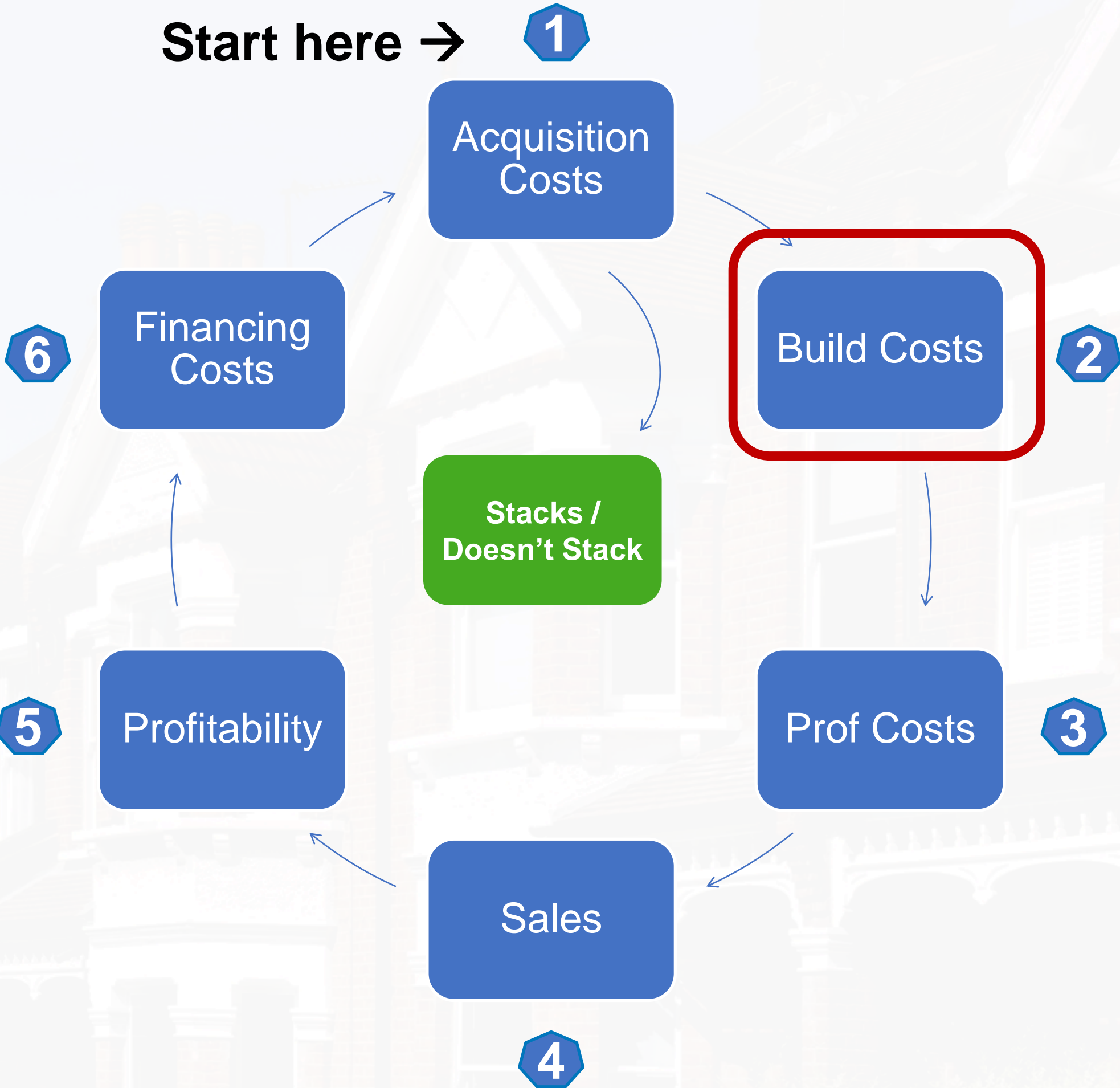
<b>Acquisition Costs</b>	<b>Resi</b>	<b>Comm</b>	<b>Total</b>	<b>Resi £ Per Unit</b>
<i>Asking Price</i>	£ 350,000	£ -	£ 350,000	£ 38,889
Offer Price	£ 250,000	£ -	£ 250,000	£ 27,778
Stamp Duty	£ 2,500	£ -	£ 2,500	
Legal	£ 4,000	£ -	£ 4,000	
Survey/Valuation	£ 2,500	£ -	£ 2,500	
Other	£ -	£ -	£ -	
	<b>£ 259,000</b>	<b>£ -</b>	<b>£ 259,000</b>	



# How to Maximise Profit in Property?

## Build Costs

Build Costs - BCIS (Incl Prelims)  
External Works  
Hard Contingency



# How to Maximise Profit in Property?

## Build Costs

<b>Hard Build Costs</b>			<b>Total</b>	<b>Per Unit</b>
Build Costs - BCIS (Incl Prelims)	£122 ft <sup>2</sup>	9,600 ft <sup>2</sup>	£ 1,171,200	£ 130,133
External Works	12.00%		£ 140,544	£ 15,616
Hard Contingency	10.00%		£ 131,174	£ 14,575
			<b>£ 1,442,918</b>	<b>£ 160,324</b>



# How to Maximise Profit in Property?

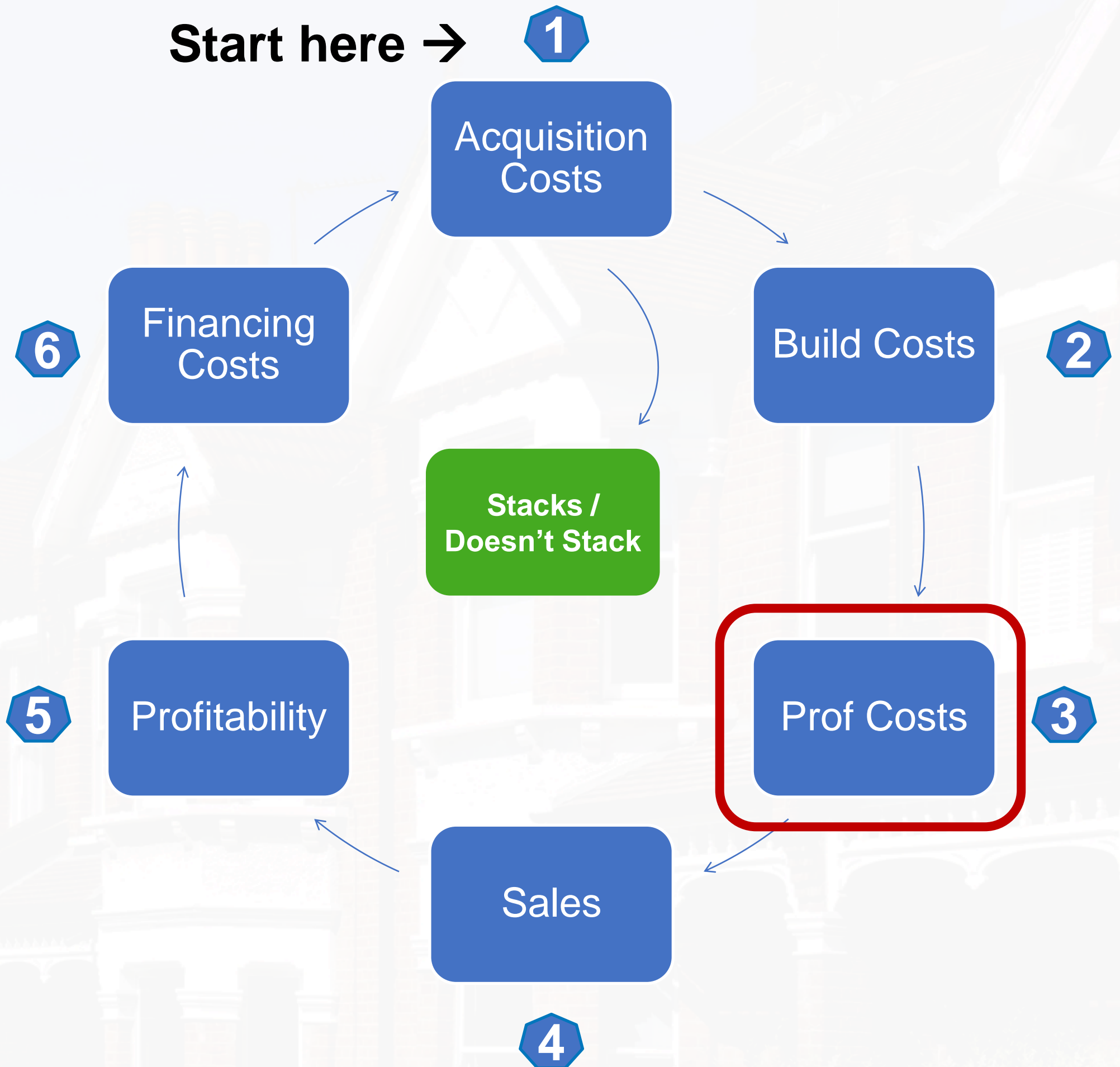
## Externals

- 1 Site clearance
- 2 Ground works
- 3 Removal of vegetation, including roots
- 4 Levelling
- 5 Modelling to create desired form
- 6 Setting out
- 7 Trench lines
- 8 Paving, kerbs, and edging.
- 9 Asphalt or block surfacing to driveways, footpaths, car parks and roads.
- 10 Timber decking, handrails and balustrades.
- 11 Patios, platforms and so on.
- 12 Soft landscape
- 13 Irrigation systems for gardens and external areas
- 14 Wooden palisade fencing
- 15 High level such as security fencing with concrete or metal posts and wire mesh.
- 16 Wrought iron fencing can be finished with spikes or pointed designs, and features such as razor wire and anti-climb paints
- 17 Bollards
- 18 Street furniture
- 19 Shelters
- 20 Etc...

# How to Maximise Profit in Property?

## Professional fees/ Costs

Fees - Consultants / Surveys  
Project Management  
Overheads  
Soft Contingency





# How to Maximise Profit in Property?

## Professional fees/ Costs

<b>Soft Build Costs</b>			<b>Total</b>		<b>Per Unit</b>
Fees - Consultants / Surveys	10.00%		£ 144,292	£	16,032
Project Management	0.00%	£ 259,000	£ -	£	-
Overheads	0.00%		£ -	£	-
Soft Contingency	5.00%		£ 7,215	£	802
			<b>£ 151,506</b>	<b>£</b>	<b>16,834</b>

# How to Maximise Profit in Property?

## Professional fees/ Surveys

1	Architects Fees	21	Party wall surveyor	41	Section 38 fees
2	Civil Engineering Fees	22	Highways consultant	42	Section 104 fees
3	Structural engineering Fees	23	Landscape Architect	43	Section 106 fees / Affordable - payment in lieu
4	Architects Planning fees & Pre App	24	Topographical Survey	44	Legal costs relating to section agreements
5	Employers Agent	25	Geotechnical Survey	44	CIL - Borough
6	Design Management	26	Noise and Vibration Survey	45	CIL - Mayoral
7	Planning consultant	27	Asbestos Survey	46	Construction and dev management
8	Construction Management - Pre Contract	28	Environmental Report		
9	Construction Management - Post Contract/defects period	29	Archaeological Report		
10	Quantity Surveyor - Pre Contract	30	Other Report contingency		
11	Quantity Surveyor - Post Contract/defects period	31	Initial cost plan & programme		
12	Mechanical & Electrical consultant	32	All risk insurance		
13	Lift Consultant - Refurb	33	Contracts		
14	Flood Risk assessment Report	34	Construction Legals		
15	Desk top environmental Report	35	CDM & Safety		
16	Tree Report	36	Safety Visits		
17	Heritage Report	37	NHBC or similar Fees		
18	Transport Report	38	Building Control Fees		
19	Viability Report	39	Planning Application fees - Residential including pre-app		
20	Acoustic Consultant	40	Planning Application fees - Commercial		



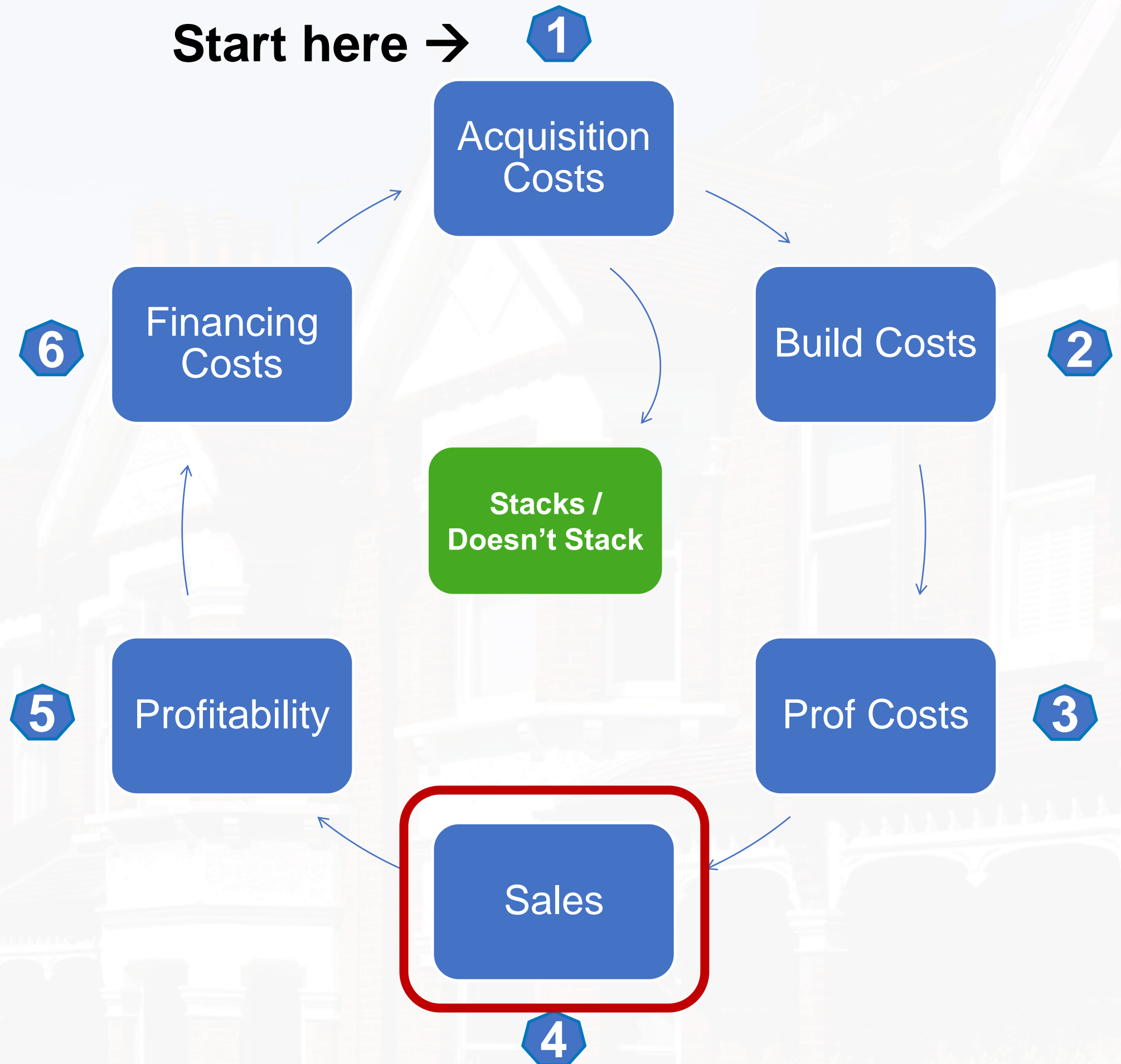
# How to Maximise Profit in Property?

## Sales

Residential  
Commercial

Desktop study – 3 sources  
Agent valuation – 3-4 agents  
Commercial valuation – if needed  
RICS valuations

Start here →



# How to Maximise Profit in Property?

## Sales

<b>GDV</b>				<b>Total</b>	<b>Per Unit</b>
Residential	£265.00	9,600	£	2,544,000	£ 282,667
Commercial	£0 ft2	-	£	-	-
				<b>£ 2,544,000</b>	

# How to Maximise Profit in Property?

## Profitability

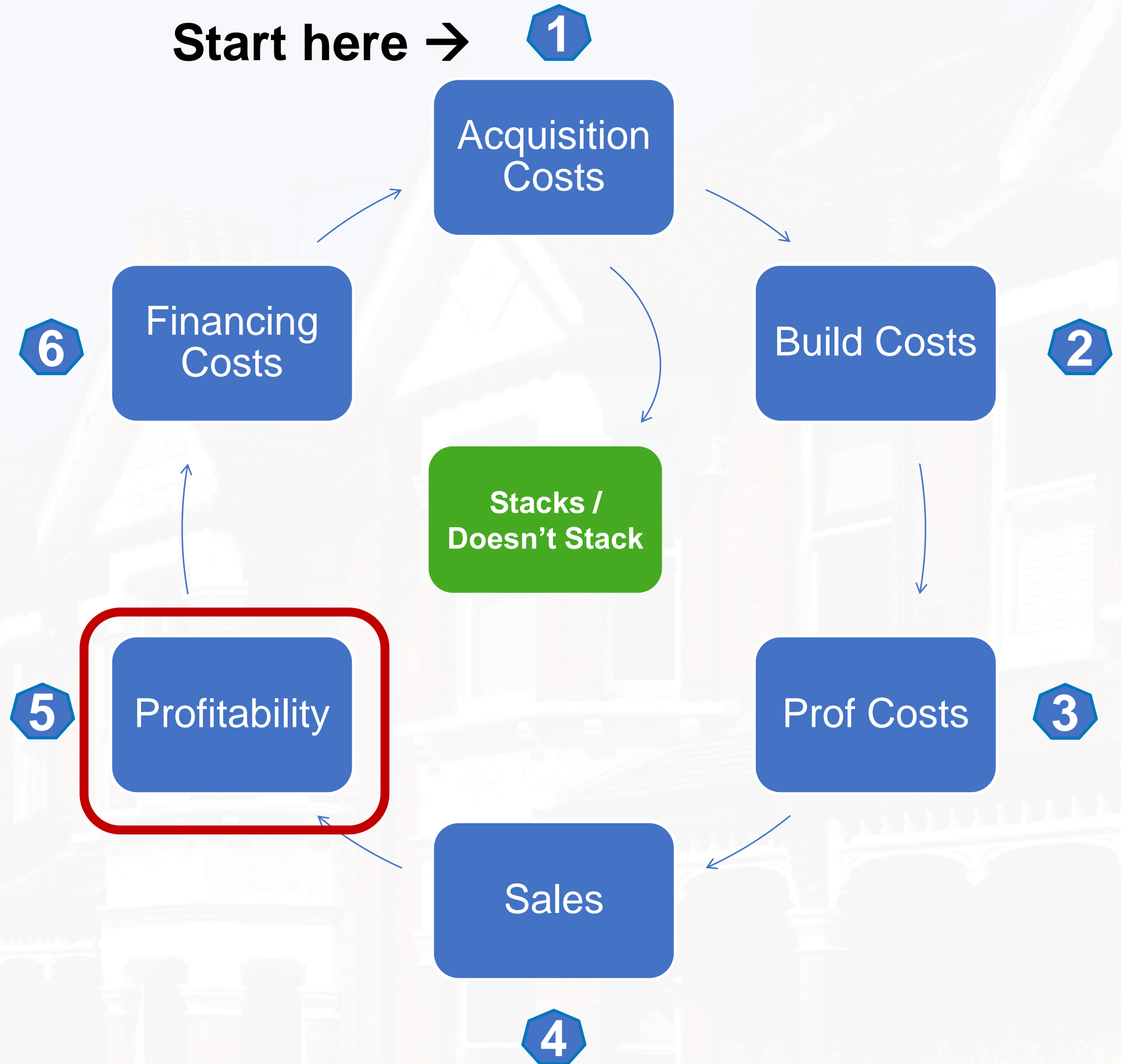
Sales - minus  
Acquisition,  
Development Costs,  
Marketing/Sales (Residential),  
Legals – Sales...

= Profit

### Metrics

GDV  
GDC  
IRR  
Etc...

Start here →





# How to Maximise Profit in Property?

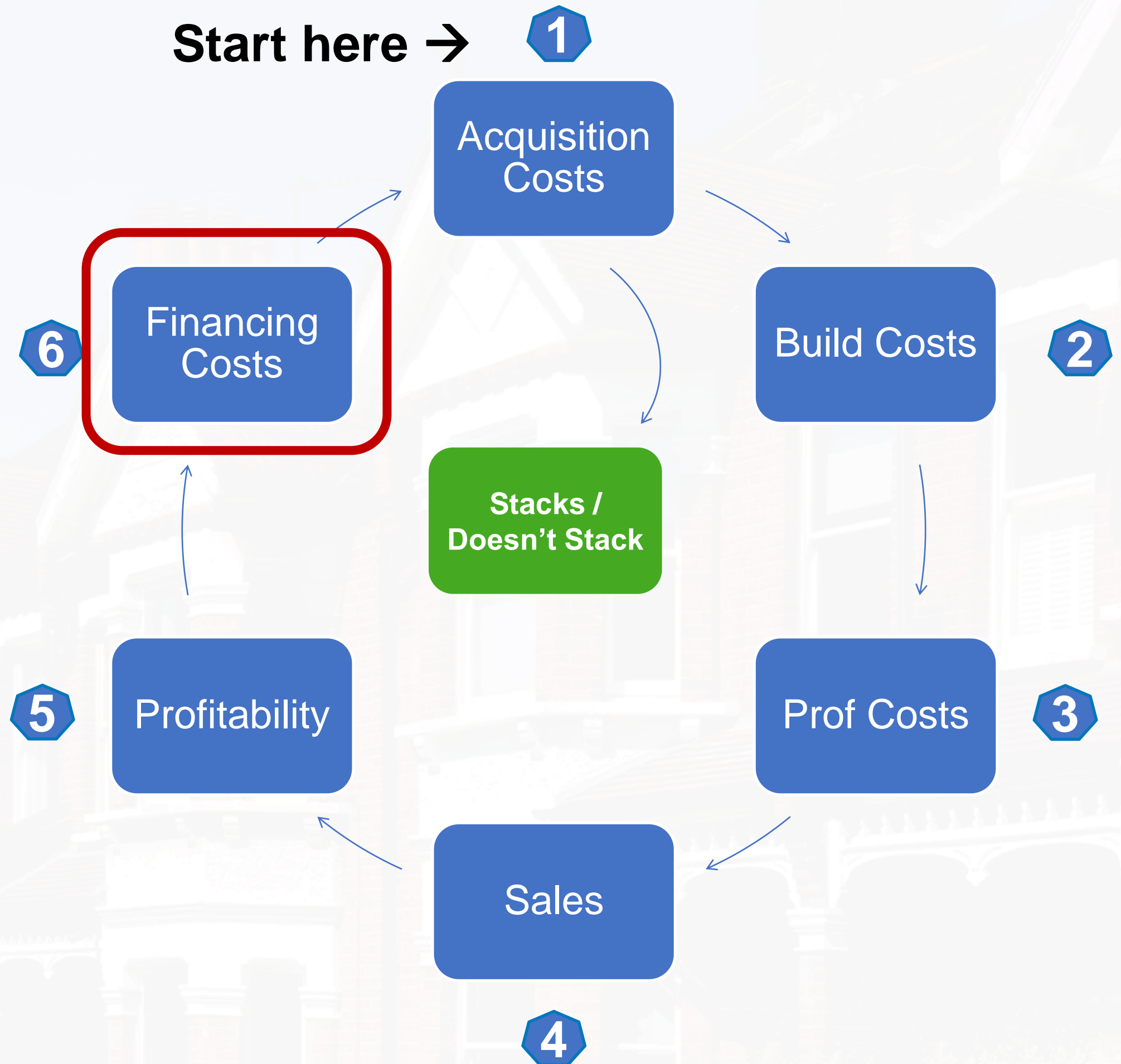
## Profitability

<b>Profit - Pre-Finance (Gross)</b>	<b>Total</b>				
GDV		£	2,544,000		
Acquisition		-£	259,000		
Development Costs		-£	1,594,425		
Marketing/Sales (Residential)	0.00%	£	2,544,000	£	-
Legals - Sales	9		0	£	-
		<b>EBIT</b>	<b>£</b>	<b>690,575</b>	<b>27.15% ROGDV</b>
					<b>37.26% ROGDC</b>
		<b>Capital Employed</b>	<b>£</b>	<b>1,853,425</b>	<b>37.26% ROCE</b>

# How to Maximise Profit in Property?

## Financing Costs

- Interest Rate
- Arrangement Fees
- Exit Fees
- Personal Guarantees
- Equity funds



# How to Maximise Profit in Property?

## Financing Costs

### Initial Numbers

GDV	£2,544,000
Purchase Costs	£259,000
Build Costs	£1,594,425
<b>Total Costs</b>	<b>£1,853,425</b>

Profit Pre Financing	£690,575
GDV %age Pre Financing	<b>72.85%</b>

### Finance

Interest Rate	8.00%	
Arrangement Fee	2.00%	
Exit Fee	1.00%	
Exit Fee on GDV	£25,440	
<b>Personal Guarantee</b>	<b>40%</b>	<b>£741,370</b>

Finance Cost	£118,526
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<b>Profit Post Financing</b>	<b>£572,049</b>
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### Timescales

Build Timing (Months)	8
Sale Period (Months)	3

### Development Loan

% LTGDV Borrowed	75%
<b>Developer Input/Investor Input</b>	<b>£63,951</b>
Developer Input as % of total cost	3%
Investor Return/Crowdfunding Return	0%
Return to Investor	£0

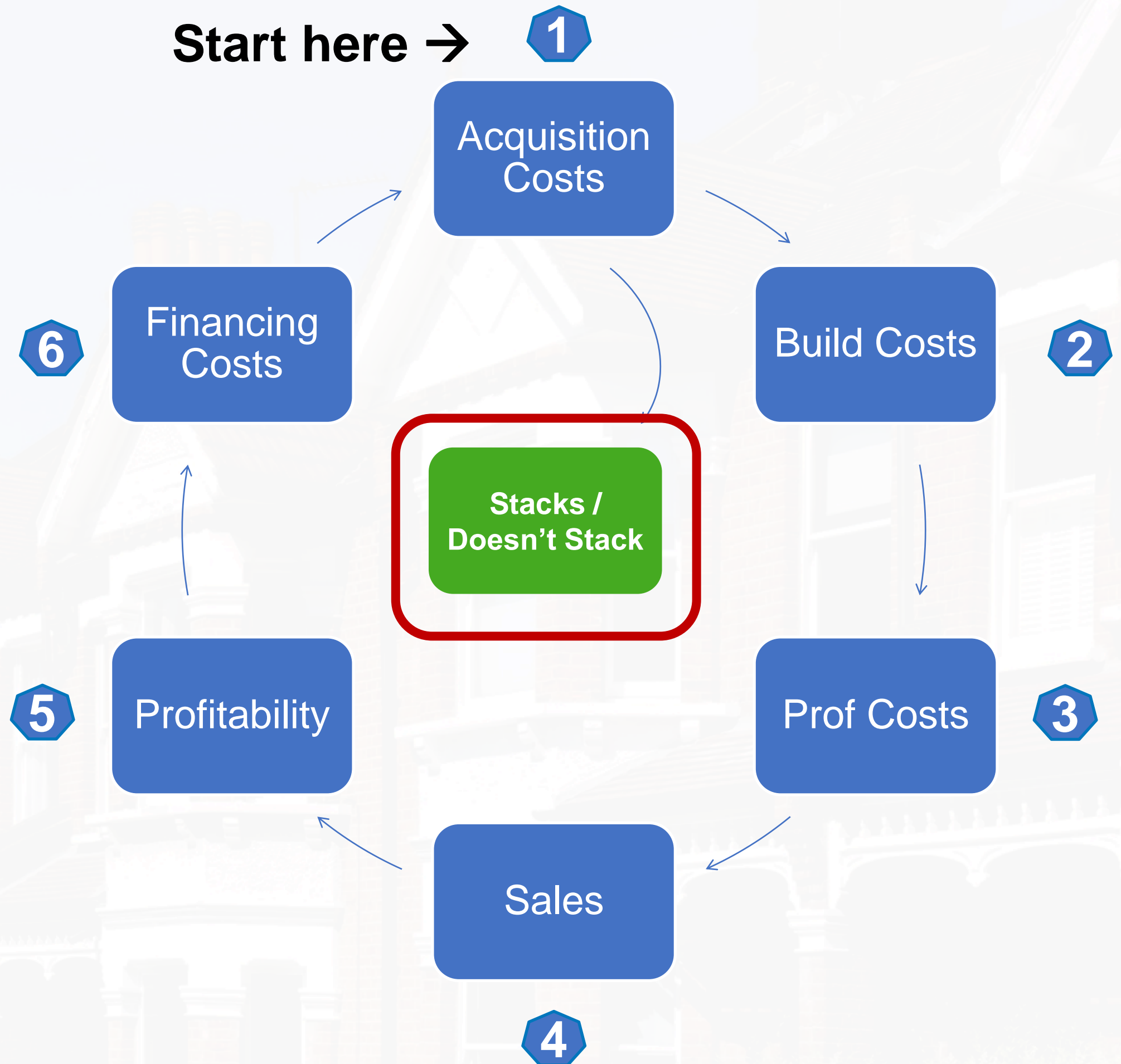
### Profit

Total Balance to be Repaid	£1,997,391
Net profit	£546,609
<b>Borrowing % against GDV</b>	<b>78.51%</b>
<b>Profit % of GDV</b>	<b>21.49%</b>



# How to Maximise Profit in Property?

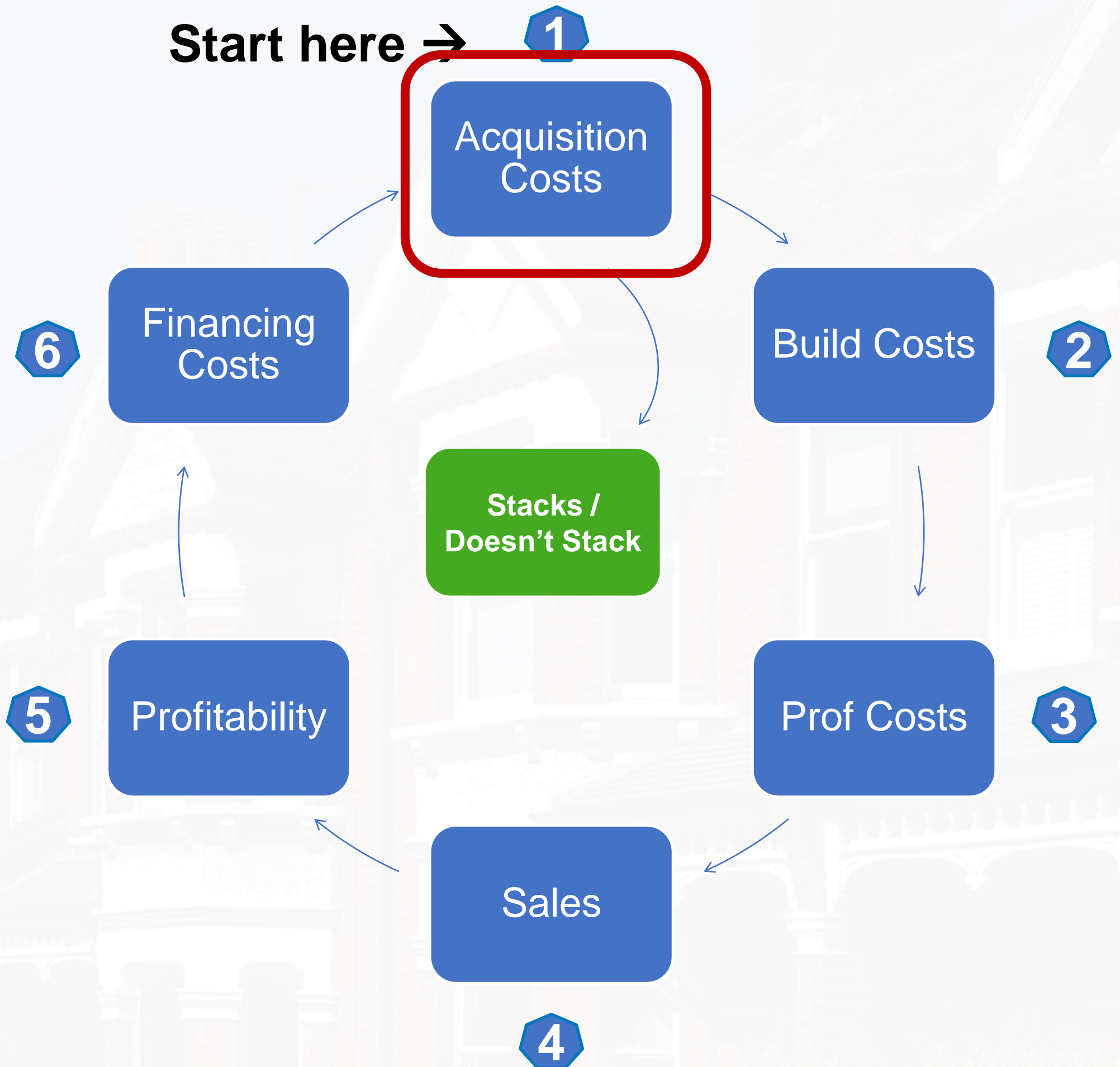
Does it stack?



# How to Maximise Profit in Property?

Does it stack?

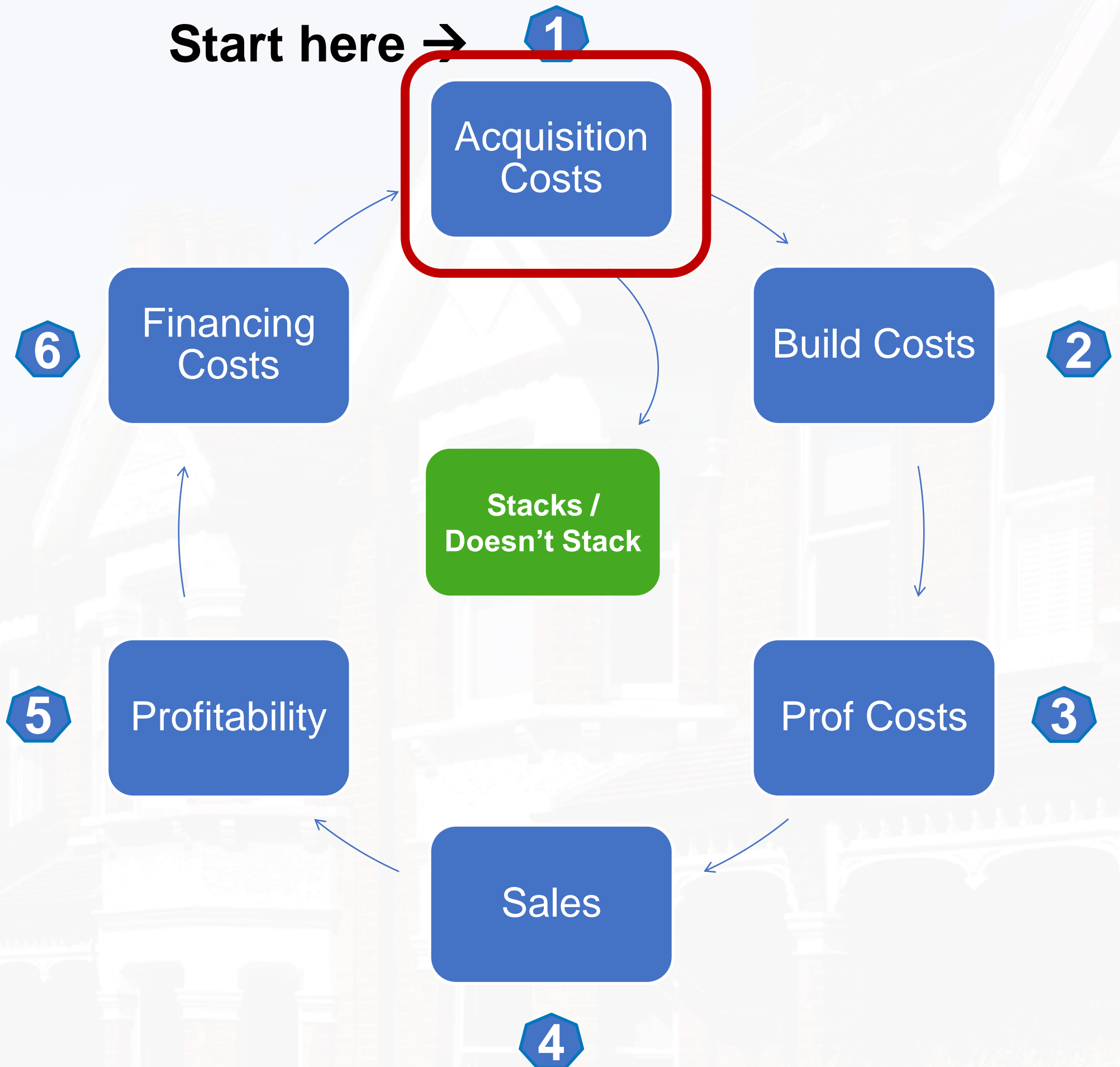
If not, go back to #1



# How to Maximise Profit in Property?

Go back through the costs

1 at a time...

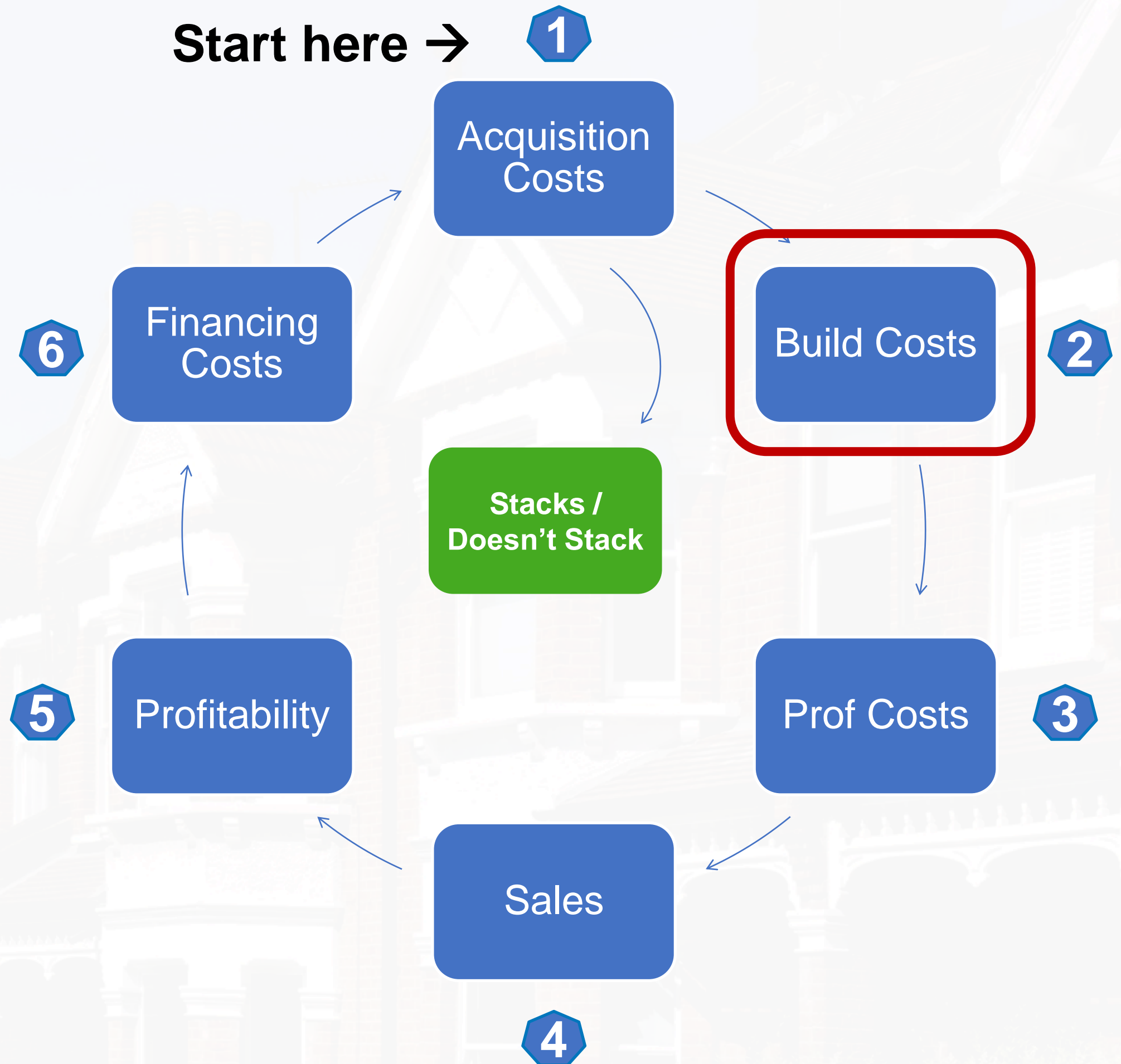




# How to Maximise Profit in Property?

Go back through the costs

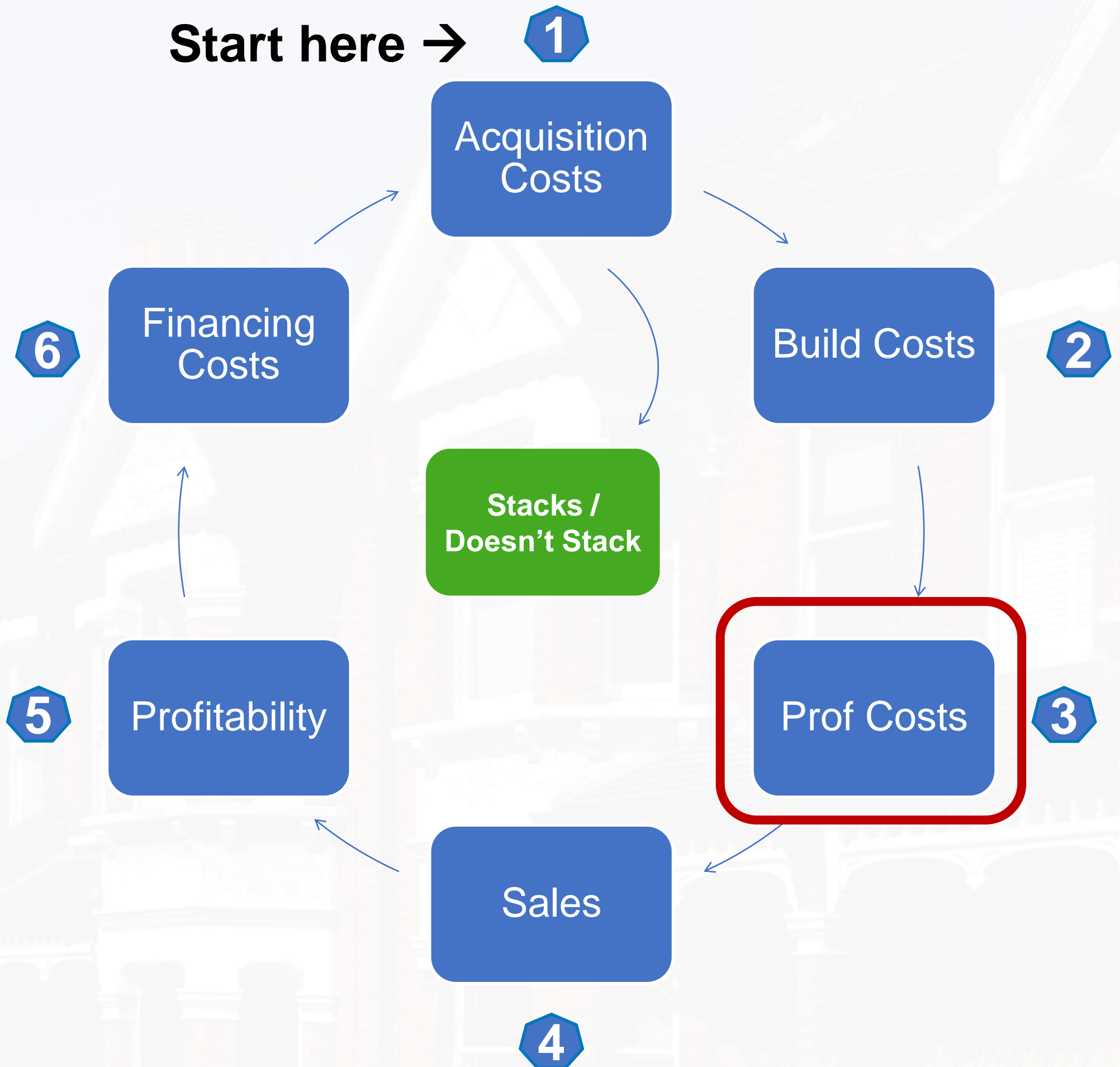
1 at a time...



# How to Maximise Profit in Property?

Go back through the costs

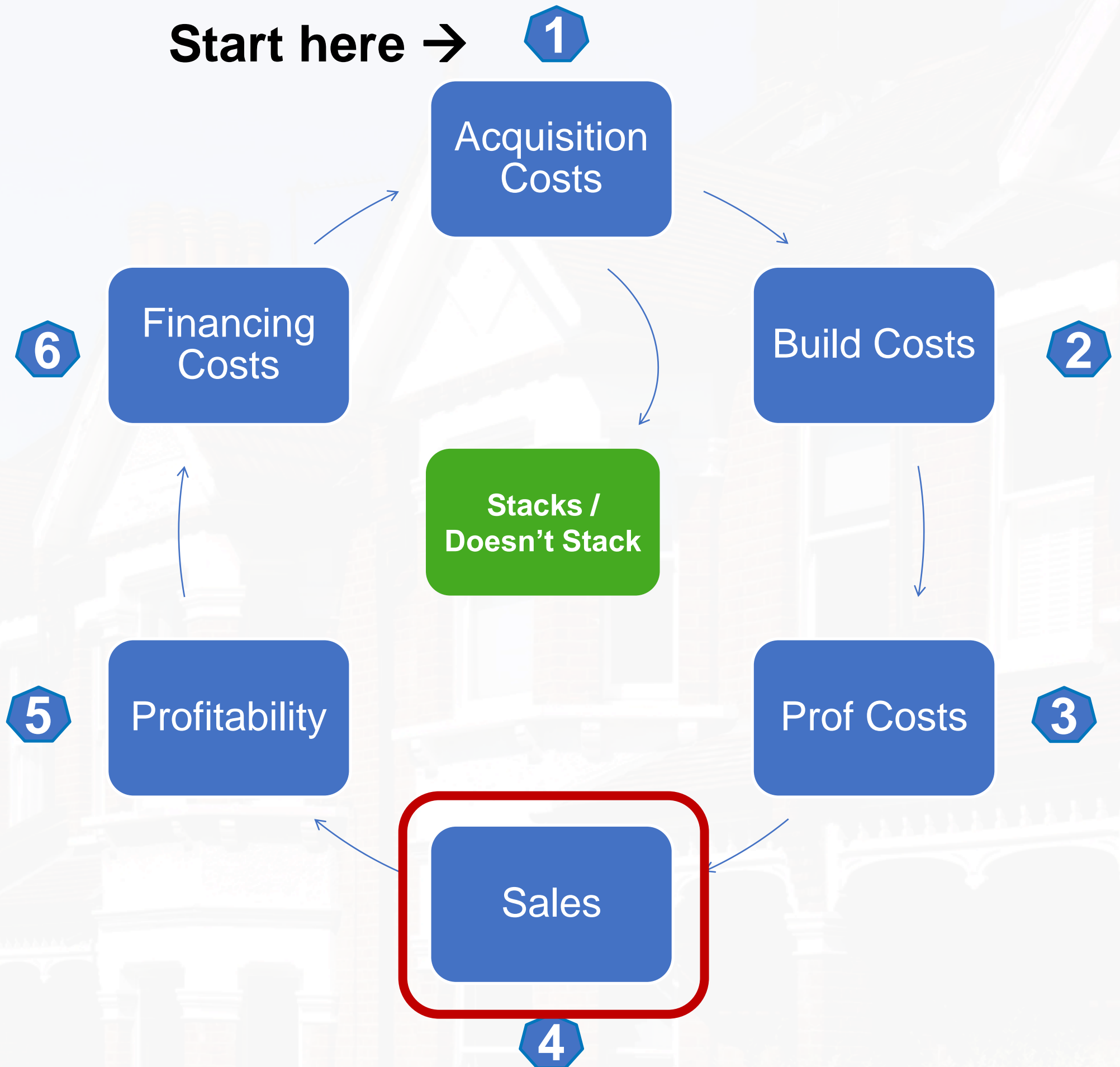
1 at a time...



# How to Maximise Profit in Property?

Go back through the costs

1 at a time...

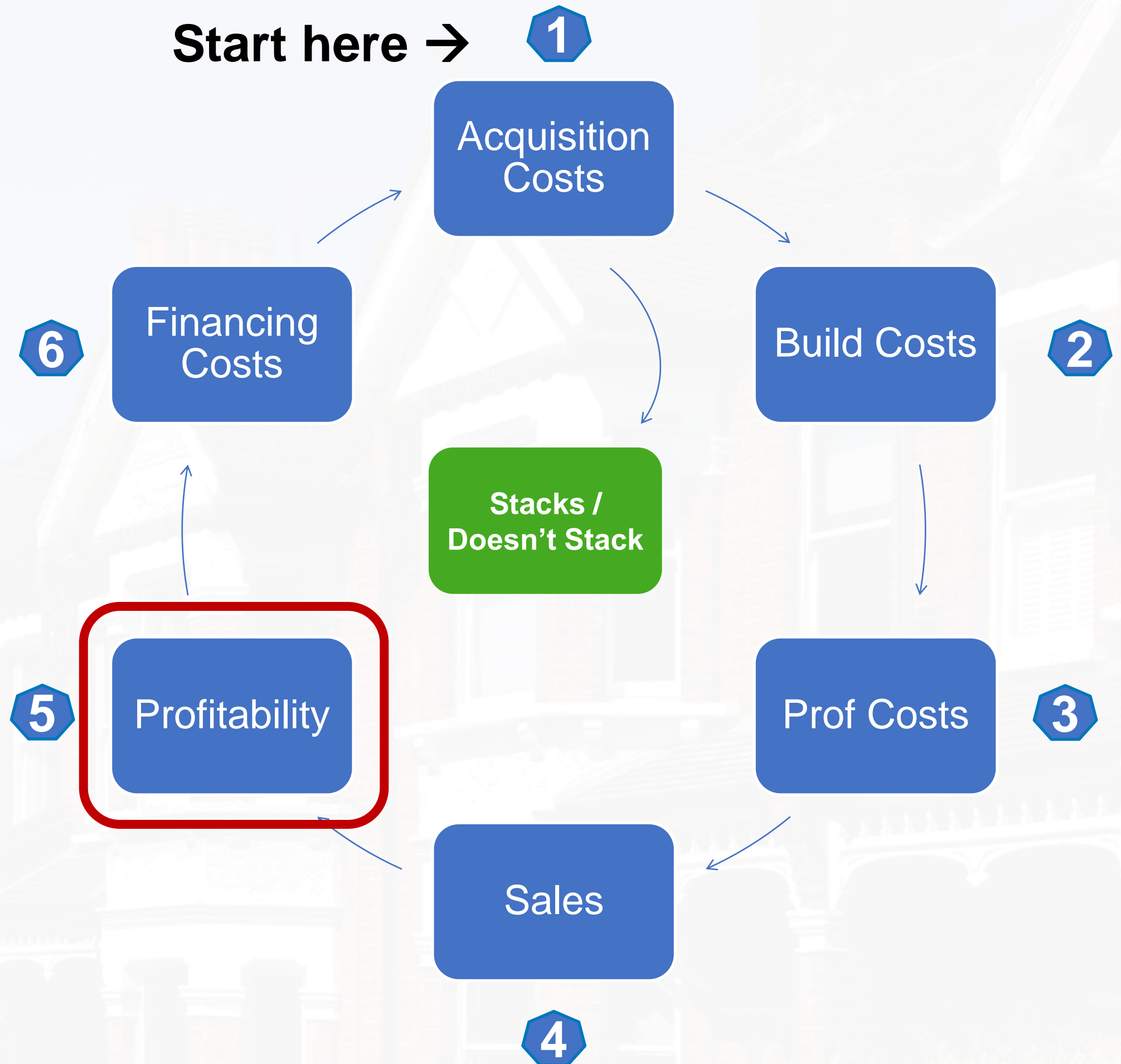




# How to Maximise Profit in Property?

Go back through the costs

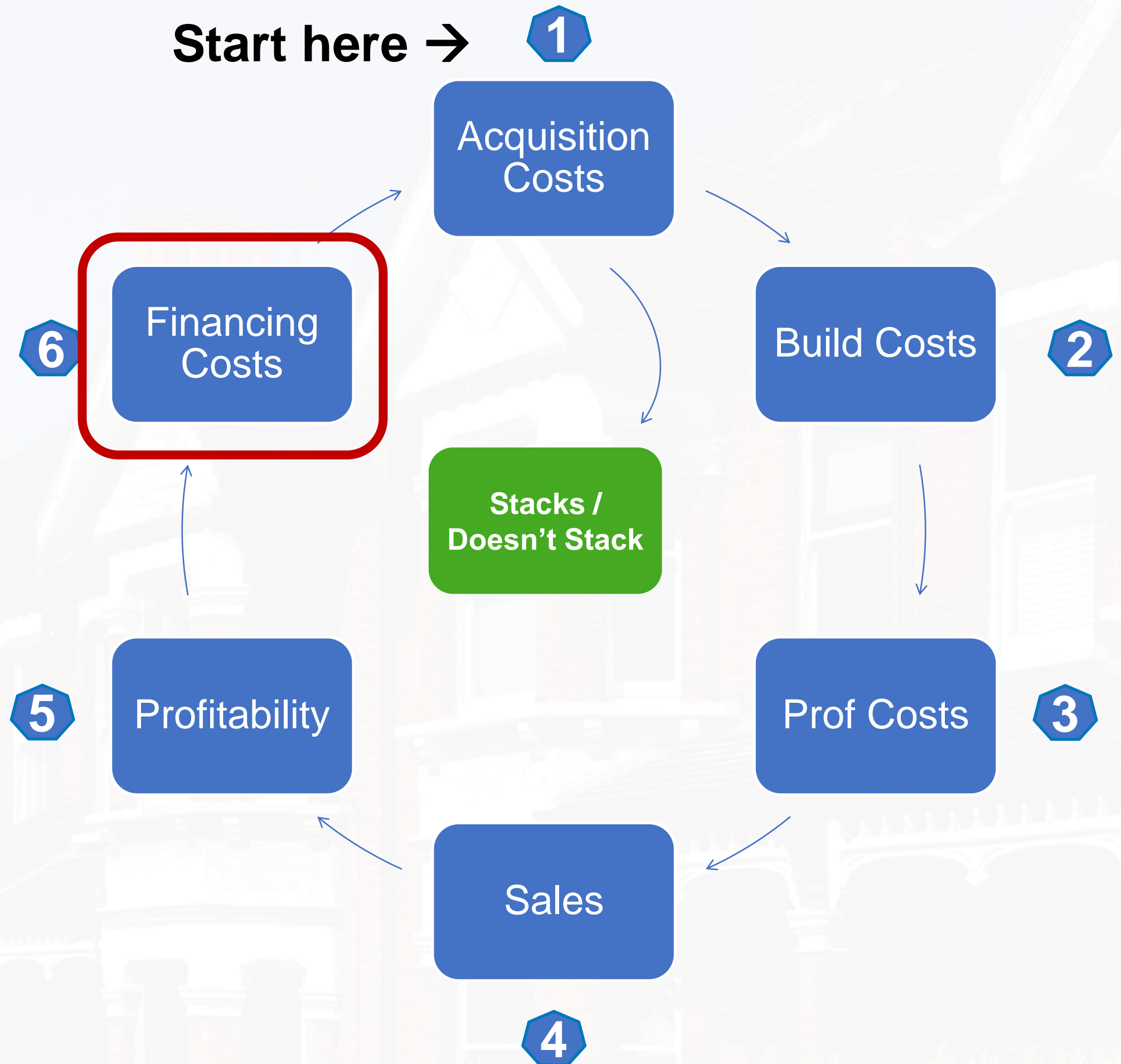
1 at a time...



# How to Maximise Profit in Property?

Go back through the costs

1 at a time...



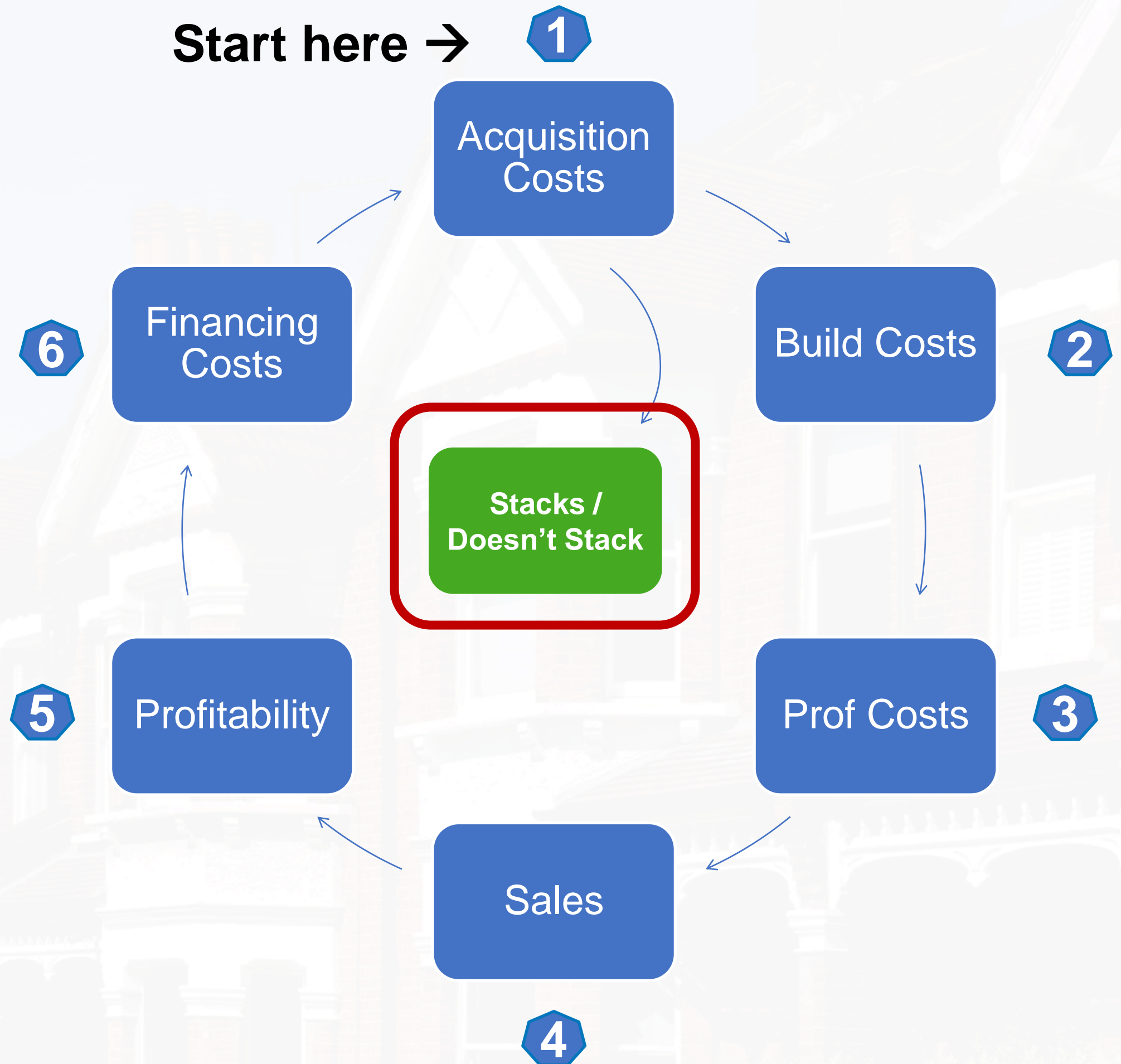
# How to Maximise Profit in Property?

Go back through the costs

1 at a time...



Start here →

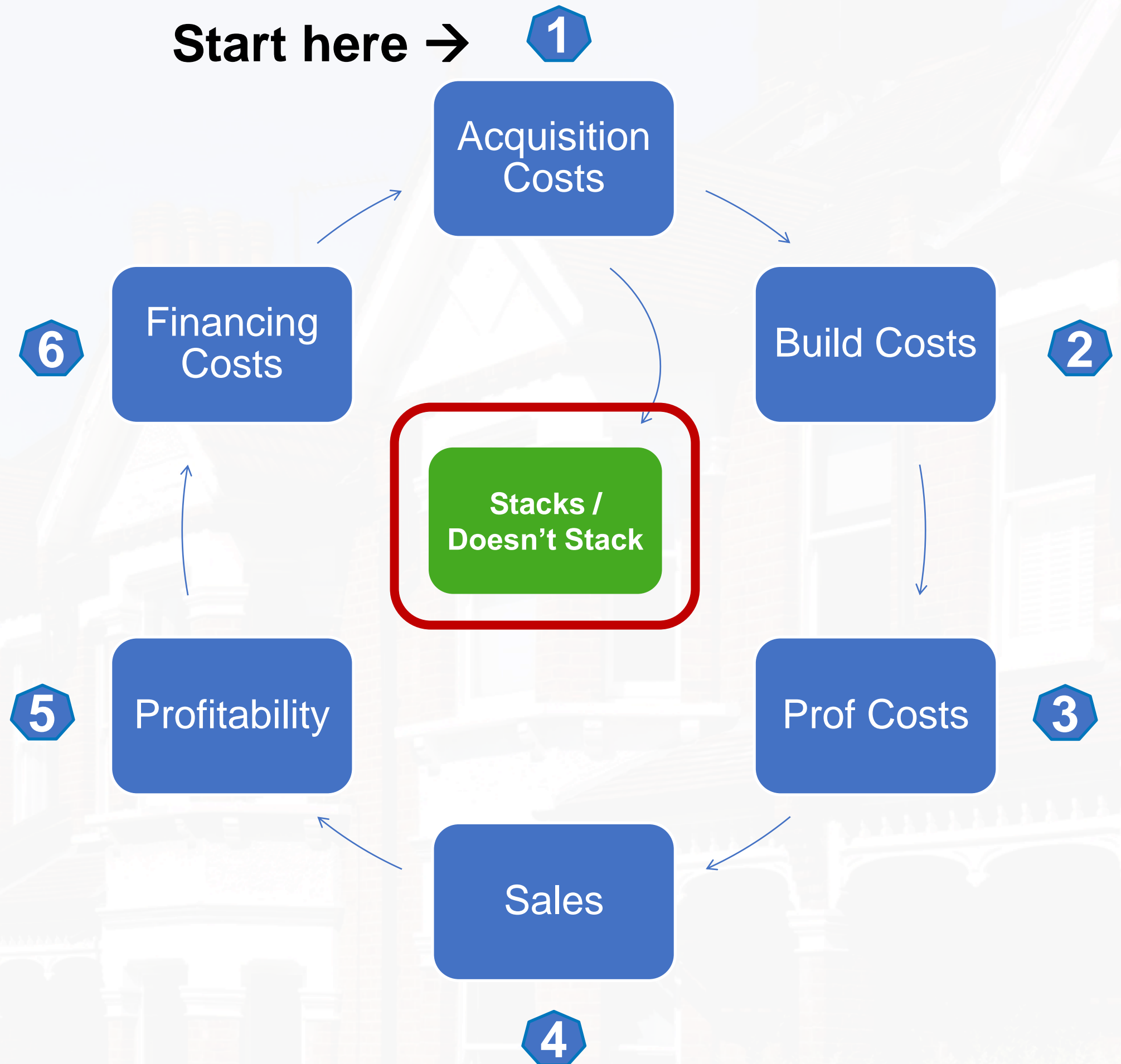




# How to Maximise Profit in Property?

## Areas of control...

- a. Costs related
- b. Sales related
- c. Risk related
- d. Finance related

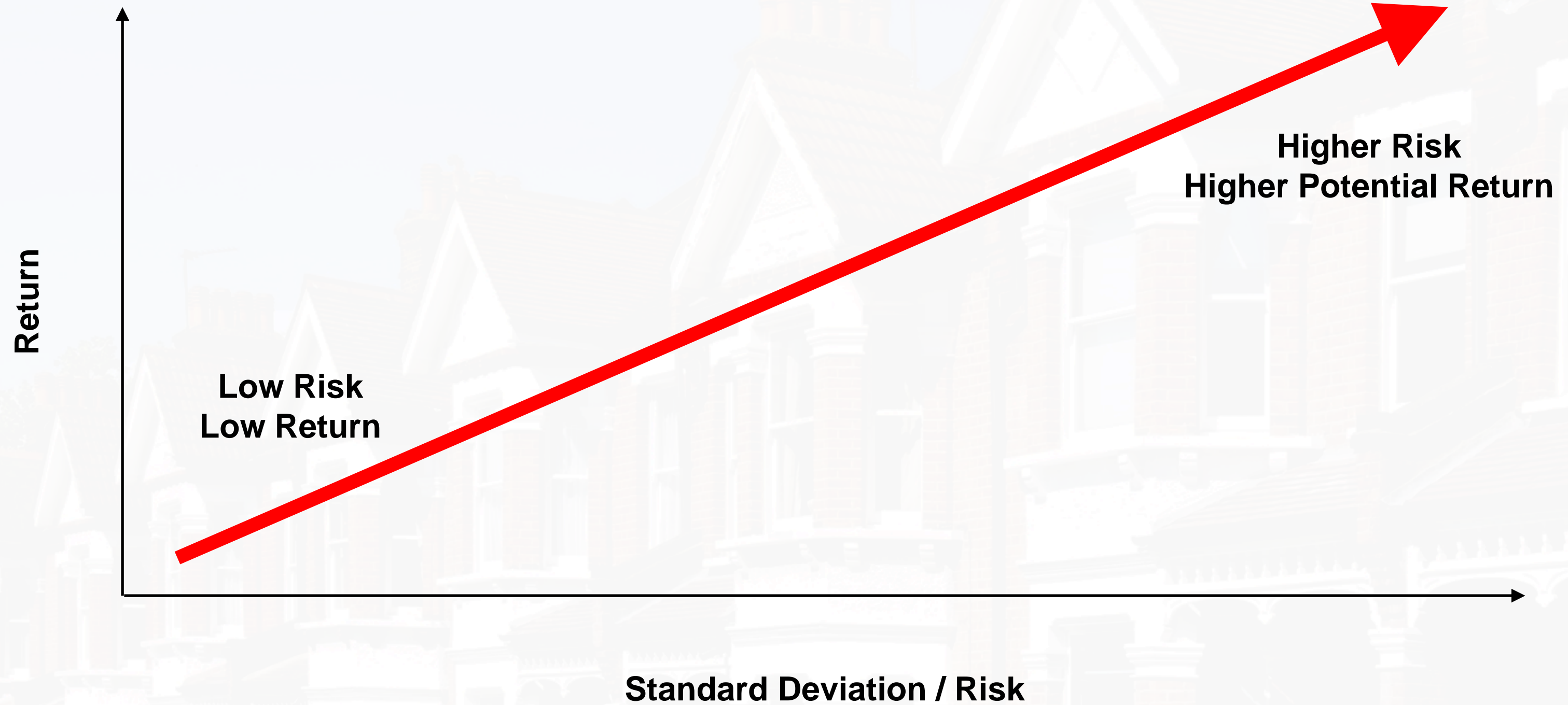


# How to Maximise Profit in Property?

## Real Estate Risks

- ❖ Planning
- ❖ Location
- ❖ Detailed deal analysis
- ❖ Sensitivity to price changes
- ❖ Double checking all the numbers – GIA, conversion of m<sup>2</sup>/ft<sup>2</sup>
- ❖ Contingencies
- ❖ Discounting sales prices
- ❖ Working with the right professionals – main contractor etc
- ❖ Socio/Demographics
- ❖ Offer price
- ❖ Liquidity risks
- ❖ Finance, etc...

# Risk / Return Tradeoff





# Risk of Sensitivity

+£18 ft2

-£30,000

	212,667	222,667	232,667	242,667	252,667	282,667	292,667	302,667	312,667	322,667	332,667	342,667	352,667		
80	24%	<b>28%</b>	<b>31%</b>	<b>34%</b>	<b>36%</b>	<b>39%</b>	<b>41%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>50%</b>	<b>52%</b>	<b>53%</b>	<b>54%</b>
85	22%	<b>25%</b>	<b>28%</b>	<b>31%</b>	<b>34%</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>50%</b>	<b>51%</b>	<b>53%</b>
90	19%	23%	<b>26%</b>	<b>29%</b>	<b>32%</b>	<b>35%</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>50%</b>	<b>51%</b>
95	17%	20%	24%	<b>27%</b>	<b>30%</b>	<b>33%</b>	<b>35%</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>50%</b>
100	14%	18%	22%	25%	<b>28%</b>	<b>31%</b>	<b>33%</b>	<b>35%</b>	<b>38%</b>	<b>40%</b>	<b>42%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>
105	12%	16%	19%	23%	<b>26%</b>	<b>29%</b>	<b>31%</b>	<b>34%</b>	<b>36%</b>	<b>38%</b>	<b>40%</b>	<b>42%</b>	<b>44%</b>	<b>45%</b>	<b>47%</b>
110	9%	13%	17%	20%	24%	<b>26%</b>	<b>29%</b>	<b>32%</b>	<b>34%</b>	<b>36%</b>	<b>38%</b>	<b>40%</b>	<b>42%</b>	<b>44%</b>	<b>45%</b>
115	7%	11%	15%	18%	21%	24%	<b>27%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>37%</b>	<b>38%</b>	<b>40%</b>	<b>42%</b>	<b>44%</b>
<b>122</b>	3%	8%	11%	15%	18%	<b>27%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>36%</b>	<b>38%</b>	<b>40%</b>	<b>42%</b>	<b>44%</b>	
125	2%	6%	10%	14%	17%	20%	23%	<b>26%</b>	<b>29%</b>	<b>31%</b>	<b>33%</b>	<b>35%</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>
130	-1%	4%	8%	12%	15%	18%	21%	24%	<b>27%</b>	<b>29%</b>	<b>31%</b>	<b>34%</b>	<b>36%</b>	<b>37%</b>	<b>39%</b>
135	-3%	1%	6%	9%	13%	16%	19%	22%	25%	<b>27%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>36%</b>	<b>38%</b>
140	-6%	-1%	3%	7%	<b>11%</b>	14%	17%	20%	23%	<b>26%</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>36%</b>
146	-9%	-4%	0%	5%	8%	12%	15%	18%	21%	24%	<b>26%</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>
150	-11%	-6%	-1%	3%	7%	10%	14%	17%	19%	22%	25%	<b>27%</b>	<b>29%</b>	<b>31%</b>	<b>33%</b>
155	-13%	-8%	-4%	1%	5%	8%	12%	15%	18%	20%	23%	<b>25%</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>
160	-16%	-11%	-6%	-2%	2%	6%	10%	13%	16%	19%	21%	24%	<b>26%</b>	<b>28%</b>	<b>30%</b>





LEARN HOW  
TO MAXIMISE  
POTENTIAL PROFITS

MAXIMISING  
PROFITS  
IN  
PROPERTY

# 1 Day Workshop -LONDON

- Early bird seats now available\*
- Uncover 12+ risks on your deal you can reduce
- Learn a process to get your build costs accurate
- Make the perfect offer on a deal, and no more!
- Learn what investors are looking for in a deal
- Become confident with the numbers you use
- Learn where you can make changes to the deal to maximise the profits
- *Plus much, much more...*

13<sup>th</sup> or 14<sup>th</sup> April

[max-pp.com/maxprofit](https://max-pp.com/maxprofit)

FB: @leewarrenpropertyconsulting  
\* See website for details.

Lee Warren Consulting & Property  
Fortress



# Learn How Maximise the Profits on Your Deals

- ⌘ Bring 1 or 2 deals for review
- ⌘ Uncover 12+ risks on your deal you can reduce
- ⌘ Learn a process to get your build costs accurate
- ⌘ Make the perfect offer on a deal, and no more!
- ⌘ Learn what investors are looking for in a deal
- ⌘ Become confident with the numbers you use
- ⌘ Learn where you can make changes to the deal to maximise the profits
- ⌘ Find out how sensitive the deal is to costs and sales changes
- ⌘ How to maximise rental yields
- ⌘ How to maximise capital growth
- ⌘ Have an expert review your deal
- ⌘ Have a peer review on your deal
- ⌘ Understanding an Investor Profile
- ⌘ Learn what an investor needs to see and know about your deal
- ⌘ What is the right mix of debt and equity on your deal
- ⌘ Top 5 passive investor requirements
- ⌘ Funding options on your deal
- ⌘ Raising money for free
- ⌘ Getting 10+ investors on your next deal
- ⌘ The illusive 'No Money Down' approach
- ⌘ Discover exactly how much investor funds you need in your deal
- ⌘ Personal guarantee guidance and how much yours might be
- ⌘ Plus *much, more more...*

# Learn How Maximise the Profits on Your Deals

PIN Attendee Price

£197 for 1 partner

Or

£349 for 2 partners

[max-pp.com/maxprofit](https://max-pp.com/maxprofit)

Saturday 13<sup>th</sup> or Sunday 14<sup>th</sup> April 2019

Central London Location