

New property investment model

For future financial and
housing security



Talking about...

- Financial issues underlying housing crisis
- Housing challenges
- What makes the Sun Village Model SMARTER
- How the Model works financially
- Features of Sun Villages (Queanbeyan) project
- Two stages of profitable outcomes
- Benefits to residents
- Benefits to investors
- Replicability of the Sun Villages model

Financial insecurity

- Property ownership out of reach
- Rental servitude for life
- High mortgage stress
- Bank loan liabilities
- Negative equity if property value falls
- Forced property sale after relationship fallout
- Changing housing needs as we age
- Greater vulnerability after retirement
- Onerous costs and responsibilities for managing property portfolio

Poor urban planning and housing design

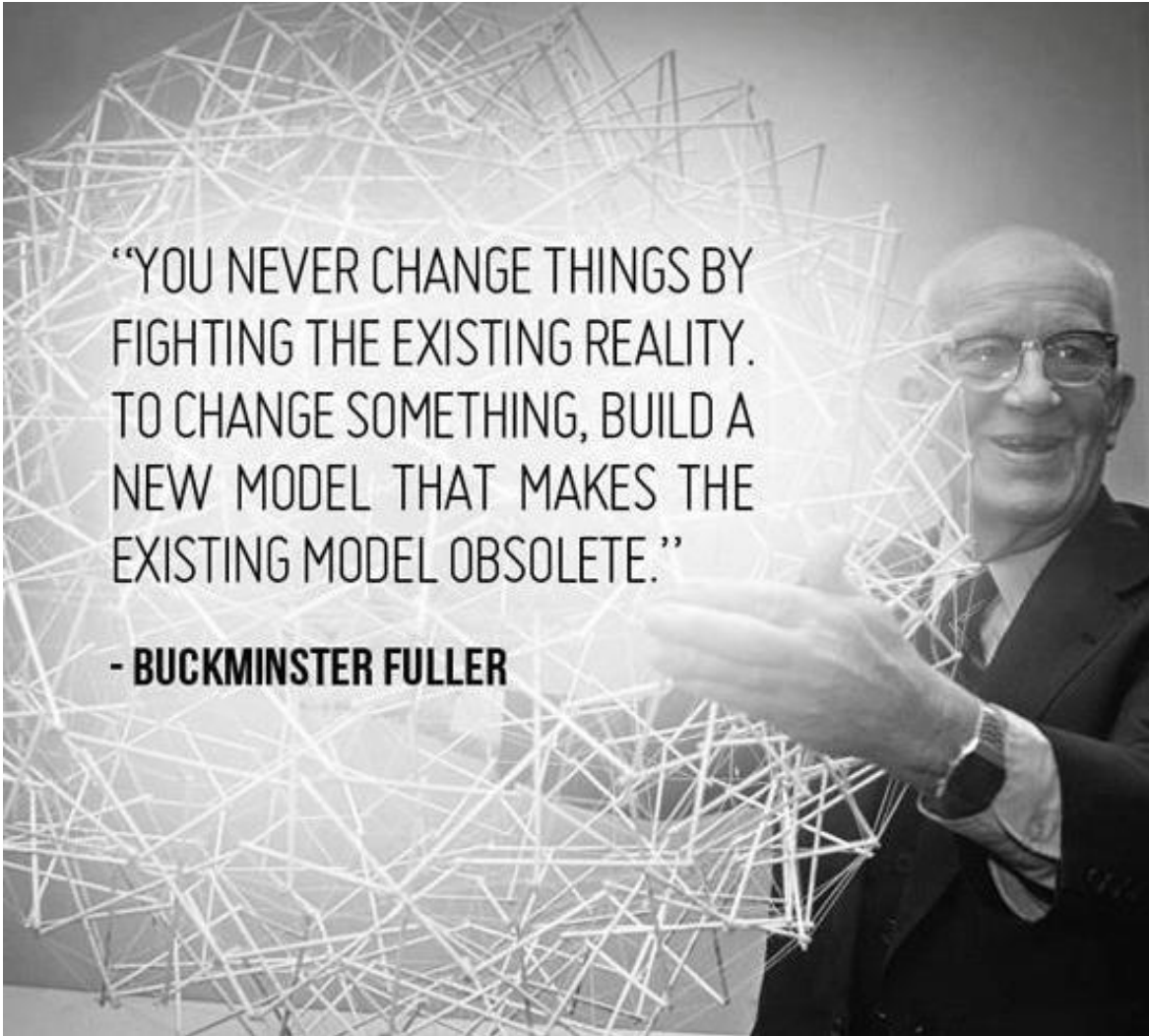
- Sprawling suburbs
- Lacking good public transport and services
- Long commutes to work
- Social isolation and segregation of families
- Loss of productive land
- Costly infrastructure
- High embodied energy
- Poor quality construction and materials
- Adverse health effects
- High levels of household waste and waste water
- Food insecurity



Why isolate people by design?



Making a new model



“YOU NEVER CHANGE THINGS BY
FIGHTING THE EXISTING REALITY.
TO CHANGE SOMETHING, BUILD A
NEW MODEL THAT MAKES THE
EXISTING MODEL OBSOLETE.”

- BUCKMINSTER FULLER

Sun Villages

- first stages
completed

74 apartments under
separate strata plans



Aerial artist image
of the first stages of
the development

Sun Villages model:

How it works financially

- Property investment not limited to wealthy
- Accessible to small and medium investors
- Investment opportunity for SMSFs
- Peer-funded development through shares
- Form of fractional real estate ownership: you own a portion of the complex
- Developer profit returned to shareholders (allocated according to profit share formula)
- Residents given 99 year (renewable) leases, paid off with ROI
- All shareholders receive same target ROI
- Residents benefit from savings in living costs
- Pure investors have worry-free property investment

Sun Villages model:

Investment through shares

- Invest a minimum \$50,000 to buy a package of shares – acts as bond
- Investors act like a bank – investing in real-estate
- Financial collaboration without entrapment
- Eliminates the requirement to sell a property to attain funds
- Can sell portion of shares if needing capital, provided the minimum number is retained
- Negotiable share price
- Can gift your equity
- Can invest in any future linked Sun Villages project

How the SV model works:

Construction stage

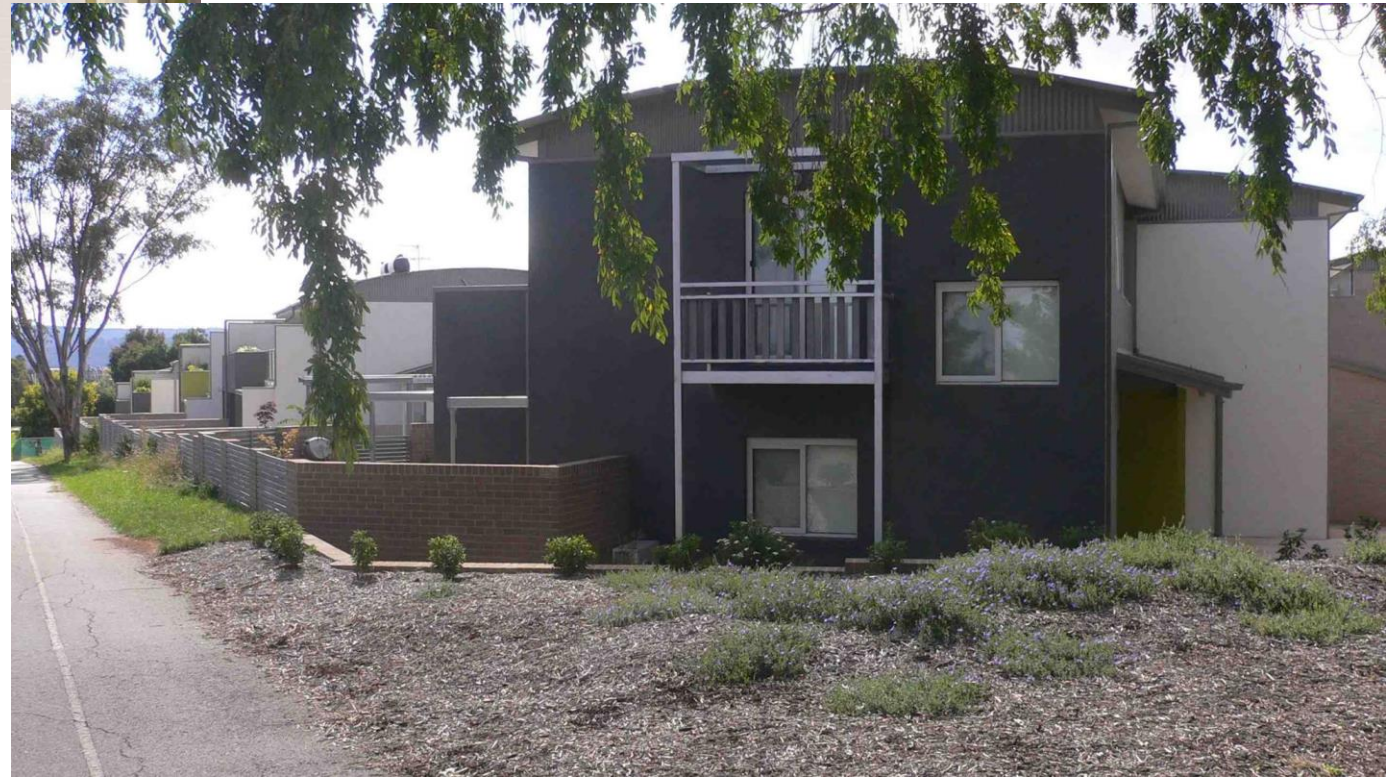
- Shares issued to raise construction funds
- Tranches of money for construction released in the same manner as any bank-financed construction
- Construction cost savings opportunities
- Development soft cost savings
- Completed building is commercially valued
- Developer profit is distributed pro-rata to all shareholders as bonus shares
- Land and completed building remain in the financial entity, owned by the shareholders and not by any bank



Project management of Stage 1 and Stage 2 (74 apartments)

Lessons learnt:

- Dividing up buildings dramatically increases costs
- Purchasers pay for significant added costs



How the SV model works:

ROI once occupied

- ROI once village is built and occupied
- 99 - year lease fee for owner-residents
- Target maximum 6% pa – paid monthly
- ROI offsets lease fee
- Commercial rent for serviced apartments
- Income from village services
- Property management by NFP management board
- Surplus ROI redirected for resident's benefits
- With flexible living space design, can upsize as family grows or downsize in retirement => increase income stream from ROI

Sun Villages (Queanbeyan)

Project features

Crestwood, Queanbeyan



- Approved development application (DA) for a four-storey eco-friendly building on Lot 7 of a community title lot – land value in excess of \$3.5 million
- Different sizes of apartments
- Flexible architecture changes apartment size
- Eco-design features for comfort and cost benefits
- Safe building materials for health benefits
- Social hub, with foyer, café, eating area, garden courtyard, food garden, arts/crafts/child-minding/meeting hall on the grounds
- Opportunity for onsite paid work and LETS
- NFP management entity



The SUN VILLAGES model creates profitable outcomes in two stages:

1. Construction:

- Construction cost savings
- Distribution of developer profit back to shareholders

2. Post occupancy

- Cost of living savings for residents
- Long term worry-free investment returns from leases

**Two stages
of profitable
investment
benefits**

Development cost savings made by the Sun Villages model

		Cost per apartment	Savings made by SV
Developer fee and bank interest @ commercial rates	25-30% profit margin	\$125 - \$150 K	\$125,000 (profit via bonus shares to SV shareholders)
Legal contracts: Conveyancy Real estate agents fee	2 – 2.5%	\$15,000	\$15,000 Not Applicable to the SV model
Stamp duty Legal fees		\$17,900 Approx. \$2,100	\$20,000 Not Applicable to SV
TOTAL SAVINGS			\$160,000
% of purchase cost saved off a standard \$500,000 apartment			32%

Comparative example:

How the SV model works:

Mitigating costs and valuing the investment

- Purchase of a standard **\$500,000 apartment using a \$100,000** (20%) deposit plus \$20,000 for stamp duty and legal fees vs investing in the Sun Village model
- Invested midway into the construction stage, allocated \$30,000 in bonus shares
- Target ROI of 6% on total shareholding reduces lease fee
- Recurring savings from efficiencies of not breaking up the building

=> leading to very significantly different outcomes!

Cost advantages for owner-residents

	Traditional owner occupier	SV owner-resident
	Purchases \$500,000 apartment	Has lease fee of \$500 pw to pay
	Pays \$100,000 deposit (20%)	Purchases \$120,000 of shares
	Pays \$20,000 transaction fees	Assume extra \$30,000 share value from profit distribution (total \$150K)
	Has \$400,000 P&I bank loan at 7.5% interest	6% ROI = \$9000 pa/52 = \$173 pw
Wkly outgoing	\$580 pw to bank	\$500 - \$173 = \$327 pw to SVQ
Service fees:		Advantages by NOT subdividing:
▪ Body co-op	\$2,800 pa	\$1,400 (halved)
▪ Rates	\$2,860 pa	\$1,430 (halved)
▪ Power service	\$500 pa	NA
▪ Internet	\$936 pa	NA
TOTAL service costs	\$7,096 pa/52 = \$136 pw	\$2,830 pa/52 = \$54 pw
TOTAL wkly costs	\$716 pw	\$381 pw

Summary of rental issues and expenses

Ongoing costs	Impact	Net reduction from gross rent	
Cost of vacancy periods between tenants ¹	Loss of rental income	5%	\$1,300
Fees to rental manager ³	Average property management cost	10%	\$2,600
Repairs or repainting between tenants ²	General maintenance and repairs	4%	\$1,000
Rates and water ⁴		10%	\$2,860
Body corporate levies ⁵	Range: \$2,800- \$3,600	12%	\$3,120
TOTAL COSTS			\$10,880
Loss of gross income			42%

The remaining 58% equates to an income of \$15,080 out of the annual gross rental income of \$26,000, assuming \$500 per week rent.

This is about **3% p.a. ROI** on \$520,000 apartment purchase and transaction costs.

Joining our Sun Villages movement

The Sun Villages (Queanbeyan) opportunity

\$50K + investment



<https://sunvillages.com.au>

Membership of Sun Villages Co-operative

Joining + annual membership fee

\$10K+ investment

Networking and creating other projects



<https://sunvillagesco-op.au>

