

## WHERE ARE THEY NOW?



# Thinking outside the square

Harry Charalambous is using joint venture projects to create bigger pies, not smaller slices.

LAUREN CROSS

Since he was profiled in *Australian Property Investor* almost four years ago, Harry Charalambous' strategies have changed slightly, but his enthusiasm and drive for property is still the same.

When he first appeared in API in August 2008, the Sydney-sider had bought and sold a staggering \$23 million worth of property and started becoming involved in joint ventures. These days, he almost always does joint venture projects or what's known as 'property options', preferring to spread the risk and create 'manufactured equity' when capital growth runs out of puff. In Harry's words, it's a way of creating a bigger pie, rather than taking a smaller slice.

"An 'option' gives us the right but not the obligation to purchase the property," Harry explains.

"What I've found is that certainly we need to be a lot more careful with the research we're doing. We're sitting close to owning probably between \$25 million to \$27 million of real estate. It's close to the same number in 2008 but we've paid down debt."

Harry has sold a number of properties in the past few years but he's also capitalised on other deals. He bought a three-bedroom knockdown property in Sydney's upper

North Shore suburb of Turramurra in 2006 for \$727,500 with a joint venture partner. The duo then put the house next door under option, which is effectively like lay-buying a property without making a payment. Six years later, Harry and his joint venture partner have finally gotten around to getting a development application (DA) for up to 50 units across the two blocks. If the application is approved, Harry plans to sell the site for around \$6.5 million, including the property under option, which would cost about \$1 million to buy. That would be a huge gain for relatively little effort between Harry and his joint venture partner.

The global financial crisis (GFC) didn't just force Harry to use more creative strategies, it also made him spread his wings. Harry says these days it's all about being risk averse and not putting all your eggs in one basket. That's led him to fly further north to Brisbane, where he has another joint venture project under option. Of course, buying property interstate has its own nuances, due to the distance and different council and legal processes, but there are always good opportunities if you're willing to do the research.

"Again it's two homes next to each other

and they'd been on the market for quite some time. Now we have our DAs in place and we're finalising if we should build the project or sell it."

Because the Brisbane project is smaller than the Turramurra one, Harry says the group of three joint venture parties is considering developing the site and spending \$3 million to put 15 townhouses there. Harry adds it's vital anyone working in a group or option has their legal contracts in place and underestimates the end result.

"We're a lot more conservative with our numbers," Harry says.

"We don't anticipate growth. We do numbers based on today's figures and we put a discount on sales prices, so we're being conservative. The way we manage is a lot tighter now. It's crucial to bring your project in on time and on budget."

Most of Harry's projects have been funded through equity he's built over many years since he started investing at just 18. He doesn't mind selling if need be either. After buying four shops in Turramurra in 2006, it looks like holding them for six years will pay off – the area they're in is about to be rezoned from two to eight storeys.

"Because of the amount of development

at eight storeys, it's going to be out of our league, so at that point we'll probably sell them," Harry explains.

"There's a sweet spot in the market at the moment. It's more than what mums and dads do but less than what the big players want. That price point is what we're involved in and it's served us well."

Searching in areas where other investors are shying away from is also a good outcome for Harry and his team. While many believe Bowral, south of Sydney, has become just about as slow as the cows and lazy lifestyle the area is known for, Harry has still managed to make profits there, recently completing a joint venture project to subdivide a house and land into a house with six lots.

"She (the joint venture partner) originally paid \$230,000 for it and now with the six blocks, each party gets a gain of about \$110,000 each," he says.

"It's a win-win. She retains the property and pays off her mortgage, we deal with the council and consultants and come up with the approval costs of about \$30,000."

Harry also sold some land in the Hunter Valley after a simple clean up, where he "created better access ways and sought approvals for a couple of dwellings". The joint venture projects in

Wahroonga and St Ives in Sydney were completed too.

"Wahroonga was four homes that were built in a joint venture relationship with two adjoining owners. St Ives was done as an option while we obtained our approvals and we then went on to purchase the property and build and sell the two homes."

However, it hasn't been all green rolling hills. Harry admits he's made mistakes post-GFC, mainly by over-estimating the softer Sydney market.

He secured another Turramurra property about 12 months ago for \$1.2 million but admits he probably should have only paid just over \$1.1 million.

"We wanted to do two dwellings on it but council changed their codes and it couldn't be subdivided. We thought we'd be okay but we weren't."

Despite the setback, Harry still loves the spectacular northern suburbs of Sydney and recently completed a dual occupancy site development, paying \$910,000 for two properties.

"We spent \$910,000 to build two dwellings and they've since been sold for exactly \$1.34 million each," he says.

"There was about \$200,000 profit after costs, which was great. On top of that, the stuff off the market is a real key part of today's opportunities as well. Vendors aren't keen to put things on the market because they see how long things take to sell, so we do letterbox drops. What's effective today is being proactive." **api**



THE NUMBERS | HARRY CHARALAMBOUS

LOCATION	DESCRIPTION	PURCHASE DATE	PURCHASE PRICE	PURCHASE COSTS	RENOVATION COSTS	CURRENT VALUE/SOLD FOR	RENT PER WEEK
Turramurra, NSW	2 houses	2006 and 2012 (under option)	\$727,500 & \$1,000,000	\$50,000	DA by others	\$6,500,000	
Brisbane, Qld	2 houses	2011 (under option)	\$915,000	\$0	\$60,000 DA	\$1,300,000	
Turramurra, NSW	4 shops	2006	\$4,370,000	\$250,000	\$255,000	\$6,500,000	\$7,700
Bowral, NSW	Land subdivision	Joint venture	\$230,000	\$0	\$30,000 DA	\$660,000 (after subdivision)	
Turramurra, NSW	Dual occupancy	2008	\$910,000	\$40,000	\$1,020,000 (construction costs)	\$2,680,000	
Hunter Valley, NSW	Land	2002	\$594,000	\$30,000	\$90,000 DA and boundary adjustment	\$1,180,000	
Wahroonga, NSW	4 houses	Joint venture	\$0	\$0	\$1,600,000 (building of 4 houses)	\$2,300,000	
Pymble, NSW	Principal place of residence	2002	\$600,000	\$30,000	\$645,000 (building and renovation costs)	\$1,940,000	
Turramurra, NSW	Knockdown property	2011	\$1,200,000	\$53,000		\$1,125,000	
St Ives, NSW	2 houses	2006 (under option)	\$900,000	\$40,000	\$900,000 (building of 2 houses)	\$2,300,000	
<b>Total</b>			<b>\$11,446,500*</b>			<b>\$26,485,000*</b>	

\*Most of Harry's projects are joint ventures or held under an 'option' where profits are shared.