

# Profits to share

**Harry Charalambous began investing in property at 18. Since then, he's turned his hand to renovations, construction from scratch and a number of joint venture developments. His personal portfolio is now worth close to \$23.5 million.** GEOFF DOIDGE

**WHEN HARRY CHARALAMBOUS** bought his first property in 1984 he was still a year shy of completing his apprenticeship as an electrician. It was a three-bedroom, single-fronted bungalow in Auburn, not far from Parramatta in Sydney's west. It cost \$59,000 and was renting for \$80 per week.

"I was still living at home with my parents at the time and they were investing in property, so I did what I knew," says Harry. "I also set some goals to accumulate wealth."

Harry kept the tenants on until they moved, and then began a basic reno on the kitchen and bathroom, and replaced carpets, for a total of \$15,000, doing much of the work himself, as well as using his contacts in the industry.

"I did it as cheaply as possible and gained a lot of experience. It really was a work in progress until 1995, and I sold it in 1996 for \$142,000."

## A COUPLE MORE FIRSTS

In 1986 Harry received a sales call one night, offering land at St Georges Basin, on the New South Wales south coast, to be secured by a deposit on the spot.

"I'm still not sure if it was a scam, but I had a terrible feeling straight after I'd accepted that I'd made a big mistake – there was a lot of pressure to buy. They flew me down to view the land – there were a few houses going up, though there was no pressure to build – and it only cost \$10,350 for the block.

"I was still uneasy about it and decided to sell two years later. I simply phoned an agent and sold it for \$25,000 soon after. I did pretty well out of it, in fact, but it taught me to be more careful."

In 1989 Harry's friends and family convinced him to try out retail property, so he bought a shop in St Marys, between Penrith and Parramatta, for \$280,000, and put another \$10,000 into renovations.

"The rental returns were reasonable – it was originally rented at \$250 per week – and there was also potential for capital growth," says Harry. "The market was pretty ordinary through the 1990s though and I was just breaking even. The property itself was still valued at only \$200,000 by 2003, though the rent had doubled.

"By then I was getting on pretty well with the owners of neighbouring shops and we began discussing a redevelopment of the block with a residential unit above."

The group brought in an architect to draw up development concepts and in 2004 Harry was surprised to receive an offer to buy his shop for \$400,000, an 83 per cent capital gain, just on the basis of the plans – and the cooperation he had fostered with the

JOE LARRARTE



neighbouring owners. He gratefully accepted. But we're getting ahead of the story. In the meantime, Harry had married his wife Helen (they'd met in 1987) and in 1991 they were ready to buy their first home.

### THEN THE FIRST HOMES

This was a four-bedroom home in Castle Hill, north of Parramatta, costing \$208,000.

"We did a lot of low-cost stuff to tidy it up," says Harry. "The garden was a mess – there was a vine stretching from the pergola to the carport to the clothesline and then the fence. You could grab one end and the whole lot would shake, structures and all."

Harry and Helen also repainted and recarpeted, and put in a good but basic country-style kitchen, still only spending a total of \$12,000.

"We sold the house in 1992 on the basis of that kitchen. The buyer took one look and loved it. We got \$242,000, effectively breaking even. We set ourselves on a roll of buying and renovating our own places, and then selling on, and we bought again, this time at Glenhaven, a little further north."

Harry and Helen's next principal place of residence (PPOR) was another four-bedroom home, bought for \$308,000. It was three-quarters complete, so they could select their own finishes and fixtures.

"It was the first new home we'd lived in and we loved it."

Harry and Helen also spent another \$20,000 on window treatments, light fittings and landscaping, including building a retaining wall and laying turf, which they did themselves.

They stayed at Glenhaven for four years, eventually selling for \$375,000 in 1996.

### AND THE FIRST DEVELOPMENTS

In 1993 Harry was looking for an investment property and spoke with a few agents. He was told of a deal with the Department of Housing, where he could purchase land, also in Glenhaven, and sign a contract with a builder to complete a duplex pair that would then be leased back to the Defence Department for 10 years for use by the Richmond RAAF base.

"It was a good deal at \$200,000 for the land and \$290,000 for building costs, but we only narrowly avoided disaster. The builder went into liquidation during construction, but we managed to find another builder to get it done within the price, though it wasn't finished until 1995."

Total rent for the duplex pair, both three-bedroom, started out at \$600 per week but went up to \$750, an 8 per cent yield, by the time they sold in 2000 for \$631,500, a 29 per cent capital gain.

## IN THE HOTSEAT

### What's your background?

I grew up in Sydney and left school at 15 to start an electrical apprenticeship, which I finished at 19 and started my own business – that was in 1986. I met a lot of people and made a lot of contacts and friends during that time.

I met my wife Helen in 1987; we clicked instantly – I often say I have an unfair advantage because of her. She is amazing and we continue our journey together with alignment, while still being able to press each other's buttons at the right time.

My dad, who has been the greatest influence in moulding who I am, passed away in 1995, about 12 weeks after my son was born. This really knocked me about and had me "off the rails" for a while. I was still doing the doing, but without any reason – I probably used it as an escape route. Our second child, my little girl, was born in 1997.

In 2001 things shifted. I got involved in a personal development and wealth creation spiral that now has me facilitating training programs to show

others what I do and how I do it. Helen and I set a goal to generate \$5 million profit from real estate transactions in five years. My focus shifted, I made a decision that it was time to stop running and step up and be accountable and share with the world the knowledge, abundance and learnings that I've had.

In 2003 I got out of the electrical business totally, which was a tough decision after so many years, some good and some not so good, though knowing that I was having a lot of my needs met there. I started my current business in 2005 with some very big aspirations to make a difference, using real estate as the vehicle.

### Why did you get started?

My mission is to help others turn their dreams into reality, using real estate as the vehicle while living balanced and abundant lives. Creating highly leveraged, profitable transactions with honesty, integrity and a commitment to delivering win-win outcomes.

*(continued on page 54)*

Before the duplex was finished, Harry bought a block of four two-bedroom units at Windsor, on Sydney's western fringe. And this proved to be a bit of a turning point.

"My parents' strategy was to buy units on one title and hold them for the rental income and that's what I was mirroring here. We bought the block for \$350,000 and put in about \$16,000 in basic reno costs."

The rent was initially \$480 per week, and it rose to \$600, an 8.5 per cent yield, by the time they sold in 2002 for \$508,000.

"Over those seven years we managed the property and did as much of the maintenance ourselves as we could, mowing lawns, painting. Helen and I used to joke about the number of Saturday lunches we had at Macca's at Auburn and Windsor, but frankly I was getting sick of the lawnmowing and electrical work – a plus and a minus of being a sparky."

"During the time we held Windsor I started to realise that to accumulate real wealth I should be looking for capital growth rather than income. Interest rates were high and the property wasn't as interesting for me as I'd hoped, but we hung in there and made a few more forays into both development and reno properties."

The next property was a land purchase, for \$220,000, in a new subdivision at West

Pennant Hills, to build another home.

"With one child by then and another on the way, we decided to let the builders do 95 per cent of the work. We just couldn't do any more, as well as running a business and managing a family. It was a bit of a relief."

The house cost \$300,000 to build, including a pool and landscaping, and Harry and his family lived there for two years before selling for \$675,000 to build again in 1999.

### CASE STUDY 1: WAHROONGA DEVELOPMENT

This is really a tale of two properties. Harry came across two adjoining blocks of land in a five-block subdivision in Wahroonga, again in Sydney's northern suburbs, one for \$500,000, the other for \$505,000, and bought both.

"It was like coming home – I'd grown up in Wahroonga and Helen had lived in the area also. The other owners were designing and building high-quality family homes, in keeping with the area."

Closing costs on the purchase of the first block were \$25,000, bringing the total purchase to \$525,000. And then came the development application (DA), for a total cost of \$27,000 (see Development Costs on page 55 for details).



## THE NUMBERS | HARRY'S PORTFOLIO

Description	Purch	Purch price*	Reno costs	Dev, const, holding costs	Total costs*	Year sold	Sale price/ value	Capital/ equity gain**	Rent pw at sale/ current	Current /latest yield
Auburn 3br	Dec-84	\$59,000	\$15,000		\$74,000	1996	\$142,000	92%	\$185	13.0%
St Georges Basin land	Sep-86	\$10,350	\$0		\$10,350	1988	\$25,000	142%	N/A	N/A
St Marys shop	Aug-89	\$208,000	\$10,000		\$218,000	2004	\$400,000	83%	\$500	11.9%
Castle Hill 4br PPOR 1	Jan-91	\$208,000	\$12,000		\$220,000	1992	\$242,000	10%	N/A	N/A
Glenhaven 4br PPOR 2	Jul-92	\$308,000	\$20,000		\$328,000	1996	\$375,000	14%	N/A	N/A
Glenhaven duplex dev 2x3br	Mar-93	\$200,000		\$290,000	\$490,000	2000	\$631,500	29%	\$750	8.0%
Windsor 4x2br units	Mar-95	\$350,000	\$16,000		\$366,000	2002	\$508,000	39%	\$600	8.5%
W Pennant Hills land, built 4br PPOR 3	Apr-96	\$220,000		\$300,000	\$520,000	1998	\$675,000	30%	N/A	N/A
Wahroonga land, built 4br PPOR 4	Mar-99	\$500,000		\$750,000	\$1,250,000	2002	\$1,825,000	46%	N/A	N/A
Wahroonga land, DA for 4br	Apr-99	\$505,000		\$75,000	\$580,000	2000	\$771,500	33%	N/A	N/A
Turrumurra 3br	Apr-00	\$575,000	\$5,000		\$580,000	2001	\$698,000	20%	\$500	4.5%
Hunter Valley land, 100 acres	Dec-01	\$320,000		\$30,000	\$350,000	2006	\$520,000	49%	N/A	N/A
Hunter Valley land, 30 acres	Jan-02	\$184,000		\$36,000	\$220,000		\$320,000	45%	N/A	N/A
Turrumurra built 4br PPOR 6, current	Feb-02	\$675,000		\$600,000	\$1,275,000		\$1,950,000	53%	N/A	N/A
Wahroonga 4br PPOR 5	Mar-02	\$1,220,000	\$572,000		\$1,792,000	2006	\$2,000,000	12%	N/A	N/A
†Manly 3br	Mar-02	\$1,110,000	\$7,000	\$133,000	\$1,250,000	2003	\$1,370,000	10%	\$520	2.2%
Kenthurst 5 acres, 3 houses	May-02	\$1,750,000		\$350,000	\$2,100,000	2003	\$2,000,000	-5%	N/A	N/A
Lalor Park 3br + 2br flat	Jun-02	\$315,000		\$130,000	\$445,000	2003	\$370,000	-17%	\$500	5.8%
Hunter Valley land, 100 acres	Jun-02	\$290,000		\$60,000	\$350,000		\$490,000	40%	N/A	N/A
†Mosman land and house, subdiv	Oct-02	\$1,830,000		\$360,000	\$2,190,000	2003	\$3,000,000	37%	N/A	N/A
†Thornleigh land and house, subdiv	Mar-03	\$510,000		\$70,000	\$580,000	2005	\$820,000	41%	N/A	N/A
St Ives land	Jul-03	\$2,000,000		\$145,000	\$2,145,000	2005	\$2,425,000	13%	N/A	N/A
Wahroonga 4br	Aug-03	\$716,000	\$615,000		\$1,331,000	2004	\$1,201,000	-10%	N/A	N/A
Turrumurra shop, office	May-05	\$820,000	\$150,000		\$970,000		\$1,300,000	34%	\$1,300	7.0%
Turrumurra 2 shops, office	Jun-05	\$1,900,000	\$100,000		\$2,000,000		\$2,850,000	43%	\$3,000	7.8%
Turrumurra 4 shops, arcade, office	Jan-06	\$1,650,000	\$5,000		\$1,655,000		\$1,700,000	3%	\$1,900	6.0%
Turrumurra 3br knockdown	Mar-06	\$727,500		\$12,000	\$739,500		\$1,500,000	103%	\$420	3.0%
#Wahroonga JV dev 2x4br	Apr-06	\$0		\$800,000	\$800,000		\$1,250,000	56%	N/A	N/A
#Wahroonga JV dev 2x4br	May-06	\$0		\$800,000	\$800,000		\$1,250,000	56%	N/A	N/A
St Ives, subdiv, dev 2x4br	Jun-06	\$900,000		\$900,000	\$1,800,000		\$2,500,000	39%	N/A	N/A
#Wahroonga JV dev 2x4br	Aug-06	\$0		\$800,000	\$800,000		\$1,350,000	69%	N/A	N/A
#Turrumurra JV dev 2x3br	Oct-06	\$0		\$740,000	\$740,000		\$950,000	28%	N/A	N/A
#Turrumurra JV dev 2x3br	Jan-07	\$0		\$790,000	\$790,000		\$1,050,000	33%	N/A	N/A
Turrumurra options x 7	Jun-07	\$7,200		\$10,000	\$17,200		\$5,000,000		N/A	N/A
<b>Total</b>		<b>\$20,068,050</b>	<b>\$1,527,000</b>	<b>\$8,181,000</b>	<b>\$29,776,050</b>		<b>\$43,459,000</b>	<b>46%</b>		
* excluding purchase costs	Current/latest yield=rent/total cost				Excluding 50% profit share					
** As percentage of total cost					\$29,776,050		\$40,864,000	37%		
† Profit shares show full costs, Harry's profit share is 50%					Excluding sold properties					
# Joint venture values are for Harry's share only					\$12,956,700		\$23,460,000	81%	\$6,620	6.42%

"We contracted a builder, who managed a lot of the process for us, saving us some time and money. We used one of his designs and added space where we wanted it, which also meant we had the advantage of walking through a similar home prior to building it.

"We wanted to build on the first of the subdivided blocks and for \$5000 had the builder draw up plans. The engineer and surveyor cost an additional \$5000. We demolished an old horse stable and chook pen for \$3000. The various permits, levies,

application fees and inspection fees came to \$14,000."

Construction costs were a total of \$698,000, including landscaping and a pool. We built a four-bedroom Victorian-style home, full brick with lots of period features.



"We hit a snag when it rained for six weeks while we were waiting for the roof to go on. The joys of building!"

For the second block, Harry got the DA through for a total cost of \$75,000, including stamp duty and holding costs, for another four-bedroom home he intended to build.

"We got a call one night from a woman wanting to buy the block. A friend of hers owned the place next door, so she took it off our hands for \$771,500 and had the house built herself. Saved us a lot of bother, and the capital gain was 33 per cent in under a year."

In 2002 there was a knock on the door from an agent Harry knew. There was a buyer interested in their home.

"I told him it wasn't for sale. He replied with: 'At what price would it be?' We said we'd take \$1.8 million, which was very high at the time but would certainly make it worth our while moving."

After one inspection they offered exactly \$1.8 million.

"I reminded the agent that was the price we wanted and asked what was in it for him. 'Buy me a carton of beer,' was the reply. Wanting to make sure everyone wins, we started to think outside the square and offered that if he got the price up to between \$1.8 and \$1.85 million he could keep the extra; but for anything over \$1.85 million we'd split it. The buyer agreed to \$1.825 million, so we were on the move again and the agent earned himself \$24,970 more than a case of beer.

"We made a substantial profit in a very quick time with these two properties, and that allowed us to move on. It was a springboard for a lot of other things."

## MOVING ON

The next purchase, in April 2000, was at Turramurra, also on the North Shore, a block of land with an old three-bedroom house on it for \$575,000.

"We initially intended to knock the house down and build on the block," says Harry. "But we ended up just doing a bit of a tidy-up for \$5000 and rented it out until we put it back on the market a year later."

It sold for \$698,000, a 20 per cent capital gain.

"There was just as much to be made with a quick clean-up, leaving the full renovation to the buyer. It's about understanding the market."

In late 2001 Harry was made aware of three adjoining blocks of land at Quorrobolong in the Hunter Valley, two of them 100 acres each and the other 30 acres. He bought the first 100-acre block, with an old home on it, for \$320,000, and the smaller block for \$184,000, and a few months later the second large block for \$290,000.

"They'd originally been one block and had been subdivided by the owner but the subdivision was very messy, just not presented very well. We did a few boundary adjustments, cleaned up the house and did a bit of slashing, spending \$66,000 on the first two and \$60,000 on the third block."

The first large block sold in 2006 for \$520,000 as a weekender, giving Harry 49 per cent capital gain. The other two are currently on the market at \$320,000 and \$490,000 each.

## DIGGING IN

There were another five purchases in the

first few months of 2002, some winners, some not so hot. First was what is now their home at Turramurra, though it was originally bought as an investment property, for \$675,000.

"We knocked down the existing home and then had to wait for the DA approval. In the meantime we bought another property at Wahroonga and lived there while we renovated."

This one cost \$1.22 million and Harry and Helen spent another \$572,000 renovating. They sold it in 2006 for \$2 million, a capital gain of 12 per cent.

"We'd bought both homes with the proceeds of the sale of our previous PPOR. Our current home cost \$600,000 to build and the property's now worth \$1.95 million. I think we'll stay put here for a while."

The next purchase was a three-bedroom house in Manly bought at auction for \$1,110,000.

"We did a tidy up and got approval for a top-storey extension with the help of some friends – they had equity available, whereas ours was completely tied up at that point. The cost all up, including holding costs and the DA, was \$140,000 but there was no cash in the deal as the interest was capitalised. And that was the first of our profit shares."

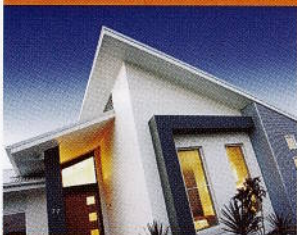
*(Note: In the Portfolio table on page 52, profit shares show full costs but profits are divided equally between the parties.)*

The property rented for \$500 a week, a yield of just 2.2 per cent, until it sold in 2003 for \$1.37 million. Harry explains his relationship with the tenants was more important than the rent, as they had the property presented

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## IN THE HOTSEAT continued from page 51

### What was your greatest fear?

The fear of success. What if I succeeded and because of that my friends, family or associates didn't like it? Was I worthy of the goal?

### Did your parents show you how to get ahead?

While growing up I watched my parents doing the best they could to support their family – they were both migrants and ran several retail businesses – and also secured their retirement through property investment. My parents were my role models in honesty, compassion, passion and persistence. While they may not have given me the technical knowledge to do what I'm doing, they gave me the belief that anything is possible.

### What was your greatest mistake?

Believing that I can do this on my own. I attribute my success to my team and mentors.

### What do you want to achieve?

To rid the planet of the scarcity mentality. We have all the resources we need; it's all about how to tap into them and use them that counts.

### How would you describe your strategy?

Aggressively conservative. Since 2001 Helen and I have generated in excess of \$12 million in profit. Of that we've "given away" over \$7 million to joint venture partners, team members and vendors. We trade real estate using highly leveraged techniques with minimum risk and maximum profit to all involved. Our reward is in direct proportion to the value we add, so we set out to add massive value.

### Where do you find your deals?

We've set up some great relationships with real estate agents and we do our own prospecting using direct mailouts, cold calls and referrals.

### Any memorable experiences?

We purchased a property in Manly with some friends of ours, who were the ones that had spotted the property and done the initial feasibility study. I saw the property for the first time 15 minutes prior to the auction. We set ourselves a limit of \$1.075 million. The look on the faces of my wife and our partners when I kept bidding past our limit and purchased at \$1.11 million will stay with me forever. We went on to make \$120,000 in the next 12 months without either party investing \$1 of cash in the deal. We celebrated by spending a week on Hayman Island.

### What's your best renovating or money-making tip?

Research, research and more research. This is how we do our aggressive trading strategy conservatively, by managing the risks as best we can with research and market knowledge. Know your market: who are they, what do they want and how much are they prepared to pay for it?

### Any other tips?

It's a great step to set a goal and at the same time you must know what you're prepared to give up in order to get it – your time, your money and, most importantly, your knowledge. If you keep doing what you've been doing, you'll keep getting what you've been getting.

### What would you do differently?

Start earlier and set bigger goals. In fact, there's very little that I would change because I'm very grateful for where I am today and know that this is where I'm supposed to be in this moment.

### How has your life changed since you began your property investment?

I love what I do, I do what I love. The three Ps of real estate for me are People, Passion and Property.

well for prospective purchasers.

"We split the proceeds from the sale 15 months later, so we all did quite nicely, making \$60,000 profit per couple, with no money down." Next Harry found a five-acre property at Kenthurst, again in the Hills District, that had three existing houses, which he bought for \$1.75 million, putting another

\$350,000 in for planning and DAs.

"Two of the houses, one of five bedrooms and one heritage-listed stone cottage, had approval from council to stay, but the other had to be demolished. The idea was to subdivide the block and sell them separately, but council changed the rules and we were forced to sell to one purchaser for \$2 million.

"We ended up losing \$100,000 on the deal."

At around the same time, Harry bought a property at Lalor Park, a neighbouring council area, with an existing three-bedroom home and two-bedroom flat, for \$315,000, putting an additional \$130,000 into DAs for a subdivision under company title. This means a company owns the whole of the land, with individual owners purchasing shares in the company, giving exclusive rights over a portion of the property.

"This one also went the wrong way, with the council not happy about the company title, and with a court case going on at the time over a similar issue through Pittwater Council. We didn't want to end up in a fight, so we decided to sell on the existing single title, again losing on the deal, this time \$75,000."

### MORE PROFIT SHARES

In late 2002 and early 2003, Harry made his next two purchases, both under his profit-share structure, the first at Mosman, on the harbour, the second at Thornleigh.

"For Mosman, the vendor had owned the house on this large block for about 20 years. We worked together to come up with a plan that we felt would please council and the neighbours. We were wrong on both counts and finished up in the Land and Environment Court, where we got approval.

"We put the land value alone at \$1.83 million and I agreed to take a 50 per cent share. I then put up the \$360,000 to subdivide and develop the block, keeping the existing house, so the total costs were \$2.19 million. When the subdivision came through we found buyers for both properties at a total of \$3 million. We then shared the profit of \$810,000 equally."

At Thornleigh it was a similar deal. Again, it was a large block with a freestanding house. The owner had the property on the market for 18 months and couldn't get the \$500,000 he wanted for it. So Harry paid him \$510,000 and put in the \$70,000, and did the work, for the subdivision. The two blocks were then sold for a total of \$820,000 and the profit of \$240,000 split equally.

"These profit shares set a pattern for our later joint ventures," says Harry.

In July 2003 Harry was offered a large block of land at St Ives for \$2 million. The subdivision and DA costs were \$145,000, and Harry was happy to pay the lot.

"For this block, the market was only willing to pay \$1.75 million, but by me putting in the extra \$250,000 and doing the subdivision I was able to reap a \$280,000 profit when I sold in 2005, for \$2.425 million, and the vendor was able to get \$250,000 more than he could have otherwise. Negotiation is



something that I love to do and I always seek to create a win-win outcome."

Harry's next purchase didn't have such a happy ending, however.

"I bought a four-bedroom house in Wahroonga at the top of the Sydney market in 2003 for \$716,000 and put in another \$615,000 in renovation and other costs. Unfortunately, though, I could only get just over \$1.2 million when I sold in 2004, resulting in a loss of \$130,000, 10 per cent of the costs."

## CASE STUDY 2: TURRAMURRA RETAIL

Between May 2005 and January 2006 Harry put his efforts into a block of shops and offices in Turramurra. The first purchase was a single shop with an office above.

"The vendor was keen to sell at auction, so I approached them and offered \$820,000, which they accepted, avoiding the cost and stress of an auction.

"They gave me access during the settlement period to do the reno."

That cost another \$150,000, and the property was valued at \$1.3 million on settlement, a 34 per cent equity gain in six months.

"We did this with a self-funded \$1 million loan. Most of our transactions use very little or very highly leveraged finance. That is, we seek to create a deal that allows us the terms we need for the particular deal as well as meet the vendor's needs. This allows us to buy wholesale."

The next buy was for two shops in the same block, again with an office above, and the purchase price was \$1.9 million, with \$100,000 in reno costs.

That commercial property is now worth \$2.85 million, a 43 per cent equity gain.

"The third purchase was more a retail buy – a freestanding building with an arcade

## DEVELOPMENT COSTS, CASE STUDY 1

Wahroonga 1999, Land and build 4br PPOR	
PURCHASE COSTS	
Initial deposit	\$25,000
Full deposit	\$25,000
Land purchase	\$450,000
Closing costs	\$25,000
<b>Subtotal</b>	<b>\$525,000</b>
SUBDIVISION COSTS	
Designer	\$5,000
Engineer/soil tests	\$2,000
Surveyor	\$3,000
Demolition	\$3,000
Building permits	\$5,000
Water connection/levies	\$2,000
Shire council insp fees	\$2,000
Shire council open space levy	\$5,000
<b>Subtotal</b>	<b>\$27,000</b>
BUILDING COSTS	
Builder's deposit	\$25,000
Foundation stage	\$53,000
Frame stage	\$106,000
Lock-up stage	\$106,000
Fix stage	\$212,000
Completion	\$106,000
Landscaping (incl pool)	\$90,000
<b>Subtotal</b>	<b>\$698,000</b>
<b>Total development cost</b>	<b>\$1,250,000</b>

of four shops, and again with offices above."

The price on this one was \$1.65 million and there was little to be spent on renovation. And it's now valued at \$1.7 million.

The important aspect of these properties is that Harry is holding onto them. Apart from the family home and the land in the Hunter Valley, which is on the market, these are the first properties in his portfolio that he's held for more than a couple of years since 1995.

"We now tend to work on a theory of adding value and realising our short-term profits from our residential deals.

"We buy and hold the retail sites, which have a higher yield and, in our case, greater ability for capital growth due to redevelopment potential."

There was one more purchase in Turramurra before Harry moved on to joint ventures.

Harry believes in win-win scenarios and his first joint venture aimed for just that. It uses the same principle as the profit shares he's done in the past but goes one step further – no actual purchase.

Harry's joint venture partners basically donate the land which he then subdivides, with both partners splitting the profits equally.

Harry's final deal for now is an option purchase which, if it comes off, will give him a \$5 million return – about 30 per cent of the expected total sale price of \$15.6 million. **api**

## API CONNECT

If you have a question for Harry or want to learn more about his strategy, you can email [forum@apimagazine.com.au](mailto:forum@apimagazine.com.au) and we'll do our best to publish the answer in a future issue of API.

Geoff Doidge is one half of the Reno Kings, visit [www.renos.com.au](http://www.renos.com.au)

For the Reno Kings report, "Getting co-ownership right", send a blank email to [apigo@renos.com.au](mailto:apigo@renos.com.au)

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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	
Total			\$11,446,500*			\$26,485,000*	

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