
Renovation Webinar

Dean Parker & Troy Harris (Active Property Network)

Using Money Partner in Joint Ventures to Finance Deals...

What works? What didn't, What do differently?

Troy Harris: Using money partners in joint ventures to finance deals, what works? What didn't? What have you learned from the experience and in hindsight, what would you do differently? And also, what's important to you in a *joint venture* or money partner?

Dean Parker: Joint ventures one we, I guess, thought that we would only need them early on just to get going. And we're finding that the more you do, the more you want to do and then the more money you need. And you continually just, like, whether it be a bank or an investor or someone that you are doing a joint venture with, we're continually...we started doing it and we've continually been doing it the whole way through.

So to grow our business, joint ventures and getting loans from people, all sorts of different things that we did, using equity in other people's houses. That was the key, I guess, that allowed us to get ahead and to do so much in so little time because we really didn't have any money to start with. I mean, ...we both had fully financed cars so we had very little cash. And the only money that we were able to generate was from our jobs. We had very little savings.

So from that point of view, joint ventures are very important. And I'd imagine they're very important for everyone still at the moment that's out there looking to start or out there with successful businesses. And as I say, we're doing quite large reno and development projects now and we couldn't do it without joint venture partners. So I'll start by saying that they're extremely important to manage that relationship with the people that you've got.

Now, let me try and remember some of the things you said. What worked? What didn't? I think we just had a go at everything. We tried to just make it work for people. We'd talk about what we're doing and people would get interested and we'd decide, look, is there any way we could do something together. And one of the early projects we did, as I said, was with our neighbors and I had some cash in their house. But I was also able to just get some money as a loan from some of our family members that just had some money in other investments and we offered them a percentage interest rate and we just paid them, just in a loan type agreement.

Then we also started a company with a builder and plumber in another scenario and we all...the plumber had...I think he had about \$300,000 equity in his house so we used that for some projects. I did the project management and one was also a builder and he did all the building work. So it's all about, I guess, as I touched on before, just making it work for everyone involved and making sure that they're feeling comfortable.

You find joint ventures are all just about making a *win-win* situation for someone. So there's a lot of people out there in jobs that do have some equity in their house and we've tried to...That's where we get a lot of our joint venture money from at the moment is people that are out there, they have their jobs, they feel comfortable with the fact that they get a regular income, that they're able to get some equity in their house and they want to do something different with it. And especially at the moment with interest rates being so low in between 5 and 6%, we can offer a return over 10% and up to 15% and that gives people great incentive to actually pull some money out of the equity in their house and actually invest it with us. So from that point of view, as I said, it's just about making things work.

Was there anything else in particular about J.V.'s that you wanted me to answer?

Troy Harris: No, that was a pretty general coverage of what worked, what didn't, what did you learn and in hindsight what would you do differently.

Dean Parker: Yep.

Troy Harris: I think we pretty well covered most of that.

Dean Parker: I thought of one other thing. In the managing the relationship or actually how do you go about getting joint venture partners or money partners or any sort of funding, with that very first project we did, and this is I guess a good example for other people out there that are just starting off, the key was we...the very first checklist that we did or spreadsheet that we did was the renovation costing tool and that was the one that we go off and budget all the cost for the renovation. So using that tool that actually provided a whole heap of confidence for one us, but two us when we go up asking people for money. The more professional that we looked, the better it was and the easier it was.

So for example, when we did go and look at a project with our neighbors at that first time, we filled in the complete (Complete Renovation System – Renovation Costing Tool)...but we hadn't agreed that we were going to do this but we said we'd go down the path and investigate it. And we did find a property and we were able to go at cost the whole thing. We looked at how much profit there was at the end. And because there was a bit of process involved and we looked professional rather than just saying yeah, we'll have a go at doing this one, I think that is the thing that gave people the confidence to start, I guess, giving us money essentially. That's what people were doing.

So I think one of the keys was to provide people with information to make them feel comfortable that they're going to get their money back. And I think for anyone that invests money into anything, although the return is important, I think the number one thing is that they feel comfortable that they're going to get their money back. So for someone to hand over \$100,000 of equity out of their house and to deposit into your bank account which we've had many people do now, you've got to make sure that they're going to feel comfortable doing that and that they're going to get their money back.

So having a good process in place and, I guess, making them feel like there's going to be profit in the deal and they're going to get their cash back is the number one thing that I can pass on to people looking for money now.

Troy Harris: I've so much said the same thing with anyone looking to do a joint venture. It's about, I think, making them feel comfortable that, as you said, that they're going to get their money back. And the more professional you can show them that their investment's secure, the greater interest they have.