

Pitfalls and Risks

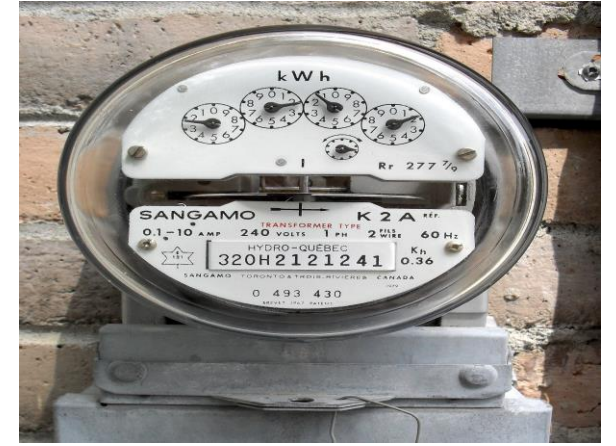


UNDERSTAND WHAT YOU ARE DOING

- DO RESEARCH AND UNDERSTAND THE MARKET
- SPEAK TO OTHER DEVELOPERS AND OWNERS
- SPEAK TO MANAGING AGENTS IN THE MARKET – BUT BEWARE
- KNOW THE LOCATION – Hijacked buildings, vagrants, transport, schooling, foot traffic, crime

ELECTRICITY

- POWER SUPPLY IN THE BUILDING
- IS POWER SUPPLY AVAILABLE IF UPGRADE NEEDED
- COST OF AN ELECTRICITY UPGRADE
- CABLE CAPACITY IN THE BUILDING – ADEQUATE FOR UPGRADE?



FINANCIAL FEASIBILITY

- DO OR GET A PROPER FINANCIAL FEASIBILITY
- KNOW THE RENTS AND DON'T MANIPULATE TO SUIT MODEL
- KNOW EXPENSES AND DON'T MANIPULATE TO SUIT MODEL
- KNOW MARKET VACANCIES AND BAD DEBT AND DON'T MANIPULATE
- POST CONSTRUCTION - MUNICIPAL VALUE AND RATES WILL INCREASE
- ESTIMATING TAKE-UP TIME FRAME

**DON'T FIDDLE THE INPUTS TO GET THE MODEL TO WORK – IT
WILL COME TO BITE YOU**



CONSTRUCTION

- STABLE AND COMPETENT CONSTRUCTION COMPANY (References)
- PRICING OF MATERIALS
- QUALITY OF MATERIALS — PEI rating tile hardness, door handles, plastic cisterns,
- OLD LIFTS
- OPENING WINDOWS, LIGHT, VENTILATION
- LOAD BEARING OF SLAB
- FIRE COMPLIANCE
- TIME AND COST OVERUNS
- CERTIFICATION
- BANK REQUIREMENTS

OTHER

- OVERPAYING ON BULK
- PARKING
- HIJACKING RISK
- PROPERTY MANAGEMENT
- OVERSIGHT OF PROPERTY MANAGEMENT
- MUNICIPAL RECOVERIES
- VAT