

Business Plan Template

1. EXECUTIVE SUMMARY

The executive summary is an enthusiastic yet professional, complete yet concise overview of your proposal, presented as a bulleted list summarising the main points. As an opener, it is intended to give the reader – be it a potential investor or a bank manager – an outline of your plan. Make it sound attractive but avoid hype. If you feel you need to hype it, then perhaps it's not worth it. And keep it brief – four paragraphs should suffice.

TANYA'S TOP TIP

- Write the rest of the business plan first and then do the executive summary. This will ensure that you have all the information on hand, making it super easy to write a glowing overview of your grand plans.

Your executive summary should answer the following questions:

- What are you planning to do?
- What is your focus area? Flipping properties? Buy-to-let?
- If you are part of a property company, who are the owners?
- Where are you located?
- Where is the investment property located?
- What type of project is it (refurbishment/new build/conversion)?
- What type of property is it (house/apartment/townhouse)?
- How will it be financed (joint-venture partner/bond/bank loan)?
- How long will it take (six months/one year)?
- What is your exit strategy (all smart property investors have at least two exit strategies in case the market changes):
 - let out the property?
 - refinance?
 - sell using a lease option?
 - sell at auction?

SAMPLE – EXECUTIVE SUMMARY:

SA Developments is a company based in Johannesburg owned by George and Tracey Peterson for purposes of purchasing and owning income producing real estate. SA Developments provides clean, well-cared for rental homes to well qualified tenants. The property selection process is rigorous and based on long term investment strategies. The owners of SA Developments reside in Johannesburg, South Africa. George and Tracey Peterson are entrepreneurs who has been running their own companies, Crazy TV Productions and DreamBoat Investments, a property investment company, for the past 8 years. SA Developments are purchasing their first investment property in South Africa, a 3 bedroom house located in Kempton Park. SA Developments have contracted the work to a well-known local contractor who has worked on similar projects in the area. It is estimated the renovation will complete by mid August at a cost of approximately R150,000. Once complete, the property will be rented out to a suitable tenant. The owners of SA Developments are requesting an amount of R1,270,000 to purchase the investment property. The following business plan will provide a history of SA Developments, its current and future plans, and its ability to repay this financial obligation.

2. INTRODUCTION

This is your chance to sell the plan to your investor. Remember that potential investors are interested in what is in it for *them*. Ask yourself the following:

- Have you had success with similar projects in the past?
- Do you have environmental reports/land-use studies?
- How do local demographics support your proposition?

Include all relevant facts and supporting information, photographs, plans and schematics.

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3. DESCRIPTION OF PROPERTY

Supply a detailed description of the property from a practical point of view, including:

- its location
- its current state
- the scope of the proposed work (i.e. details of any refurbishments)
- photographs of the site and the property, if available

4. BUSINESS OBJECTIVES

Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful property rental company that is a leader in customer service and has a loyal rental base. Objectives might be annual rental income targets and some specific measures of tenant satisfaction. Use bullet points to list five or six key objectives.

SAMPLE - BUSINESS OBJECTIVES:

- Convert commercial to residential
- Invest in quality well cared for properties
- Maintain properties in good working order
- Locate well qualified tenants, desiring to lease long term
- Generate passive income

5. MISSION STATEMENT

Create a powerful, emotive mission statement. In 30 words or less, explain your reasons for being in business. Outline common fears and how you plan to address them.

SAMPLE - MISSION STATEMENT:

One of the largest mistakes made by new real estate investors is poor property selection. Even worse is their tenant selection process, often with little or no background and credit checks. At SA Developments, the owners are extremely devoted to their business, and their commitment to the long term can be seen in their dedication to both their properties and their meticulous selection process of finding long-term tenants.

6. GUIDING PRINCIPLES

List at least three guiding principles using these thought triggers:

- What drives you or your company?
- How professional are you?
- How committed are you to quality?
- How do you plan to progress going forward?
- How have you adapted – or plan to adapt – to an ever-changing market?

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SAMPLE - GUIDING PRINCIPLES:

SA Developments holds the following as its Guiding Principles

1. Treat the investment as a business first and foremost. Many real estate owners will fail to take their investment seriously and keep sloppy or minimal business records. Over time this lack of discipline can permeate into other aspects of the business resulting in a downward slide of the business.
2. Selective in tenant process SA Developments is seeking a long term lease with quality tenants. All applicants will be required to pass the credit and background check as well as provide the applicable deposits. References are a must and will always be verified.
3. Provide exemplary service to tenants. The goal of SA Developments is to achieve long term occupancy levels. The properties will be clean, well maintained and professionally managed.

7. KEYS TO SUCCESS

This section can be very brief – no more than two paragraphs will suffice. Think strong, focused management. Think clear evaluation of deals before decisions are made.

SAMPE – KEYS TO SUCCESS:

SA Developments is fully committed to making its rental property business a long-term success with future plans for expansion. It is this dedication and drive that will set them apart from their local peers.

8. COMPANY DESCRIPTION

If you plan to buy in a registered company, include the following details:

- When were you founded?
- Who owns your company?
 - Ownership
 - Summary of start-up
- What are your company's strengths and core competencies?
- What factors will help your company succeed?
- What do you think your major competitive strengths will be?
- What experience, skills and strengths do you personally bring to this new venture?
- If you are new to this, who can you partner with to improve the skills level of your company?

9. LOCATION

Describe where you plan to invest and why. Include maps and photographs of the location.

10. FACILITIES

Go to www.lightstoneproperty.co.za. Lightstone provides information, valuations and market intelligence on properties in South Africa. It is worth investing in a once-off report to be able to answer questions such as:

- What does the area in which you plan to invest offer?
- What is the growth potential?
- Is there strong rental demand?

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SAMPLE FOR LOCATION AND FACILITIES:

SA Developments extensively researched the local market and found it met their key criterion.

1. Growth potential: Kempton Park is easily accessible and is close to amenities tenants actually want and need. Kempton Park boasts a large supermarket, specialist shops, several hairdressers, a beauty and skin care salon, an array of pubs and fast food outlets, a library and a large secondary school which has about 600 pupils along with a good selection of primary schools. Kempton Park is located a few kilometers from Johannesburg International Airport.
2. Limited supply: Kempton Park is a small, popular town and demand for newly refurbed 3 bedroom houses is high. During renovation, our builder, Fred Benson, has been approached regularly by people wanting to join a waiting list for tenancy once the renovation is complete.
3. Strong rental yield: great yield and consistently low vacancy rates.
4. Affordability: the house will be priced within reasonable market related prices.

11. POWER TEAM

Who will you rely on for professional and advisory support? List the members of your Power Team, the group of people with whom you will be working on this particular property deal.

You won't necessarily need everyone listed below on your team. For example, if you are doing a development, you will need an architect and a builder. If you are investing in a picture-perfect buy-to-let, chances are that you'll only need an estate agent and a letting agent.

Include a brief biography of each person, outlining the skills they possess that will contribute to the success of your plan. It will be useful if they have done similar projects in the past.

- builder
- lawyer
- accountant
- insurance broker
- banker
- estate agent/letting agent
- property coach
- mentor and other key advisors

12. RAISING CAPITAL

State clearly how much money is needed, how you are going to use it, and how it will make your business more profitable to reassure investors or financial institutions that repayments are guaranteed.

If you plan on pitching to traditional financial institutions, bear in mind that bankers want assurances of orderly repayment. It is important to include:

- the loan amount
- how the funds will be used
- what this will accomplish
- the repayment term – you will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow
- collateral offered
- copies of leases and contracts, if in place

If you are approaching investors, they have an entirely different perspective. They're often looking for dramatic growth and expect to share in the rewards. Outline factors such as:

- funds needed
- how the company will use the funds, and what this will accomplish for growth
- estimated return on investment (ROI)
- exit strategies (if applicable)
- proportion of profit that will go to investors

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- financial reporting to be provided
- involvement of investors in the management of the company
- copies of leases and contracts, if in place

13. FINANCIALS

Now that you have described your plan in detail, it's time to attach some numbers. You may want to do two projections: (1) a 'best guess', which is what you really expect, and (2) a 'worst-case' low estimate that you are confident you can reach no matter what happens. Remember to keep notes on your research and assumptions as you complete this financial projection and subsequent spreadsheets in the plan. This is critical if you are going to present to potential sources of funding. Some examples of costs include:

- builders
- bond application fees and holding costs
- legal fees
- surveyor fees
- auction fees
- letting agent fees
- estate agent fees
- finder fees
- capital gains tax (CGT) and any other applicable taxes
- contingency – always allow for contingency funds because life happens

You also want to include:

- sales projections
- income projections
- projected returns
- balance sheet
- cash-flow statement

Include details of how often and in what manner (report/meeting/spreadsheet) your investors will be updated on your progress.

14. RISK ANALYSIS

What are the potential risks to your project? How will you manage them if they occur?

15. VISUALS

Include as many plans, drawings and photographs as necessary.

16. CLOSING REMARKS

Include contact details, timelines and when they can expect to hear from you again.

17. FINISHING TOUCHES

Make sure that your proposal looks professional. You will be judged by the quality and appearance of your business plan as well as by your ideas.

TANYA'S TOP TIPS

- Check that the type font is consistent.
- Zero tolerance for spelling mistakes!
- Include pictures where relevant.
- Bind the document with a simple, clean cover.