

## Waterfront Land: Seller Notes

You are Jackie Lee, the CEO of a real estate investment company called Diamond Trust. Your company buys and sells land and buildings. Your company is successful because you have a simple formula: sell a property when the value increases by 33%.

You want to sell a piece of waterfront land that is now used as a parking lot. The value of that land has increased a lot in the past 18 months thanks to the popularity of the area. Your company purchased the land for \$1.4 million 4 years ago. Back then, the neighbourhood was mostly low-income housing with little commercial activity and a bankrupt bread factory that used to employ 200 people.

Now the whole neighbourhood is an upscale area filled with trendy cafes, boutiques, and art galleries. Lots of companies want to buy your waterfront land.

Over the past few months, you've been contacted by several development companies interested in your land. One offer by The Barns Group looked good. They offered to pay \$3.2 million. Their plan was to build a mixed-use apartment building aimed at middle-income families. Though their first offer looks generous, you believe it's possible to get 10-20% more if you meet The Barns Group CEO and negotiate a final deal.

The Barns Group said their offer is good for 3 more days. After that, their offer will be cancelled.

You decided instead to meet a different company. You were contacted by Jenny Kim, CEO of Asia Investments. The people at that company have strong political connections and understand city

politics well. You believe Jenny Kim would be willing to pay more than \$3.2 million because she will probably build luxury condos.

Currently, city zoning permits the construction of residential buildings up to 14 floors or commercial buildings up to 6 stories on your land. You think this land is better suited for a commercial building. However, that type of building is not currently allowed; zoning changes normally take months to get.

You need to negotiate carefully. If you sell this land for condo development, but later it is used for a commercial building, you may end up selling the land for a low price.

To prepare for your meeting with Jenny Kim, you collected this information.

- Estimated land value if used for mixed residential: \$3.0 to \$3.9 million
- Estimated land value if used for luxury condos: +20% (\$3.6 to \$4.7 million)
- Estimated land value if used for hi-rise commercial tower (need zoning change): +50% (\$4.5 to \$5.9 million)

## Waterfront Land: Buyer Notes

You are Jenny Kim, the CEO of Asia Investments. Your company builds luxury condos and commercial buildings. Your company is not large. It is a medium-sized company with a reputation for low risk - high reward projects.

To minimize risk, you and your team have strong connections with bankers, politicians and real estate agents. Basically, you know everybody in the city. Information is a weapon.

Recently, you became interested in some waterfront land. That's a fast-changing part of town. A few years ago, it was a working-class area with middle-class homes. Everything started to change after the local bread factory closed down 4 years ago. These old homes are now changing into coffee shops, bistros, and boutiques. There's also a large farmer's market that attracts people from the whole city. Land prices are rising and you think it's time to build something big.

If the price is right, you could be the first person to build a luxury condo or commercial tower in the area. That is why you are excited about this possible deal. It seems like all the pieces have come together just for you – the empty waterfront land, the rising values, trendy neighbourhood and the secret information you have. This is a chance to make a large profit.

Currently, the land is zoned for residential use. That means the owner can build an apartment building or condo up to 14 floors. You could also build a 6-storey commercial building, but that is too small for you.

Thanks to your friends at city hall, you know the zoning on this land will change in the next 2 to 3 months. The new zoning will permit

commercial buildings up to 18 floors. That change could make you a lot of money.

Few people know about the upcoming zoning changes; that information will be made public in 2 weeks. After that announcement, you are certain the price of this land will increase a lot. That is why you do not want to tell anyone one about the zoning changes. If you do, the value of that land will jump.

You collected some information about this land:

- Most recent purchase price: \$1.4 million (4 years ago).
- Estimated land value today: \$2.8 to \$3.7 million for mixed-use residential.
- Estimated value if used for luxury condos: +20% (\$3.4 to \$4.4 million)
- Estimated value if used for commercial building: +50% (\$5.2 to \$5.5 million)

Today, you are going to meet Jackie Lee. Her company owns the waterfront land that you want to buy. The purpose of the meeting is to see if it is possible to negotiate a deal.