

# LAND JOINT DEVELOPMENT

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## Definition of Joint Venture

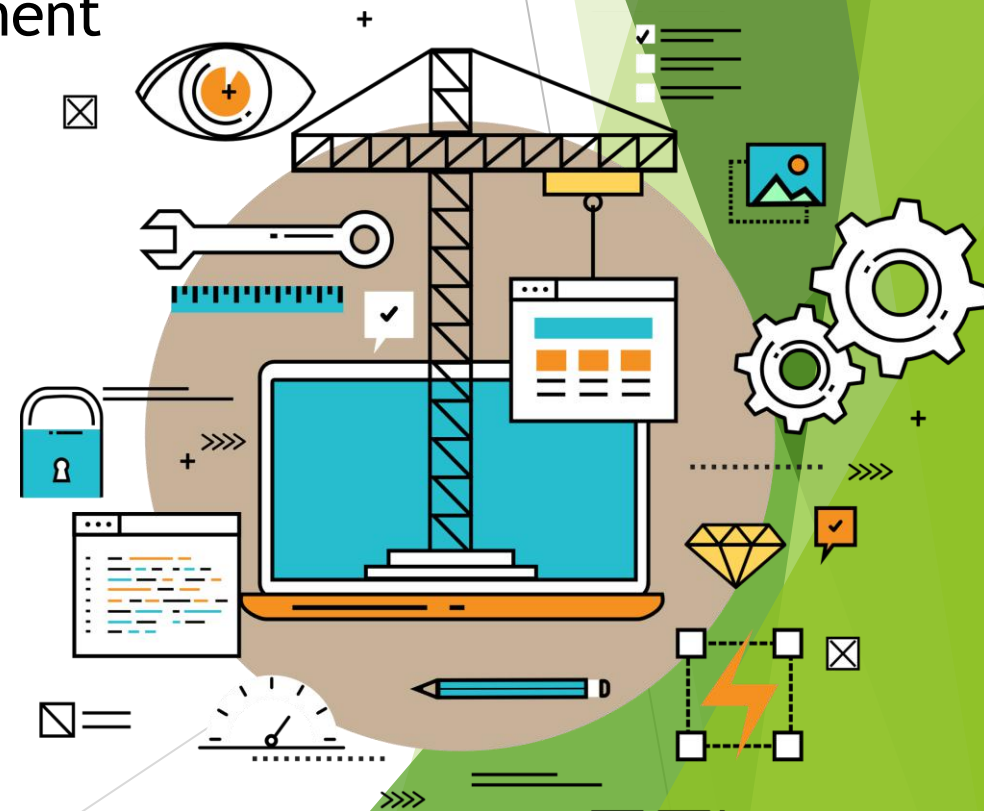
- ▶ An association of 2 or more natural or legal person combining property and expertise to carry out a single business enterprise and having a joint proprietary interest, a joint right to control, sharing of profits and losses.



# LAND JOINT DEVELOPMENT

## Developer's Preferences for JV

- 1. Lack of Land Banks/Land Cost- Major Component
- 2. New Acquisitions with Minimum Capital
- 3. Benefits of attracting Capital Partners
- 4. No Holding Cost in Long Term
- 5. Hedge in Land Price Increase/Escalation
- 6. Focus on Project Cost
- 7. Spread Risks & Multiple Development Project
- 8. Maintain Cash Reserves
- 9. Alternative Source of Financing



# LAND JOINT DEVELOPMENT

## REAL ESTATE JV

- ▶ 2 or more parties agree to combine resource to Development of Land.
- ▶ Land owners have no capacity to carry out development on own.
- ▶ Developers have expertise in managing and financing capabilities in the project.
- ▶ Connections to Finance and Capital Providers.
- ▶ Organization to provide management consultancy and professional responsibilities.
- ▶ Joint Venture to jointly be liable for risks and gain.
- ▶ Owners conduct due diligence for Best Developers



# LAND JOINT DEVELOPMENT

## ROLES OF LAND OWNERS AND DEVELOPERS

### LAND OWNER

1. Sells Land to JV (SPV)
2. Land owner's entitlement in % of profits or number of units.
3. Give proxy to deal with Land
4. Party to SPA as Land Owner
5. Retain Title of Land or transfer to SPV
6. Retain Land or JV fails
7. Assist in application for approvals

### DEVELOPER

1. Development of Land
2. Power to sign SPA
3. Sales and Marketing of Units
4. Collection of Payments
5. Obligations to Build, Sell and Maintain during DLP
6. Indemnity to owners
7. Engagement of consultant and contractors
8. Compliance to Law
9. Progress Report

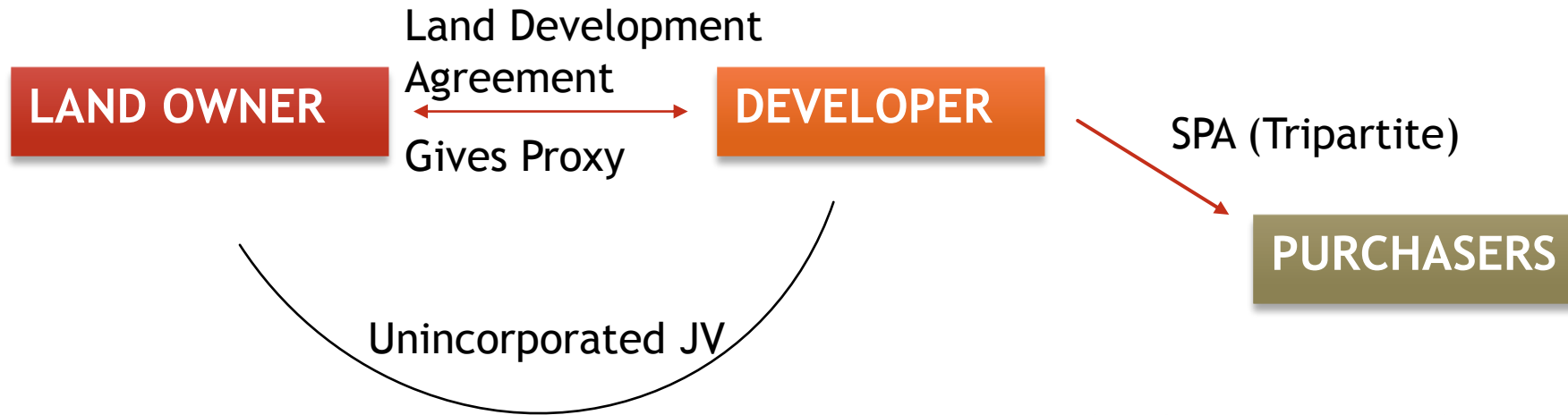
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Real Estate JV Terms involves the following

1. Distribution of Profits
2. Capital Contribution
3. Management & Control (Board & Voting Rights)
4. Exit Mechanism
5. Liability Distributions

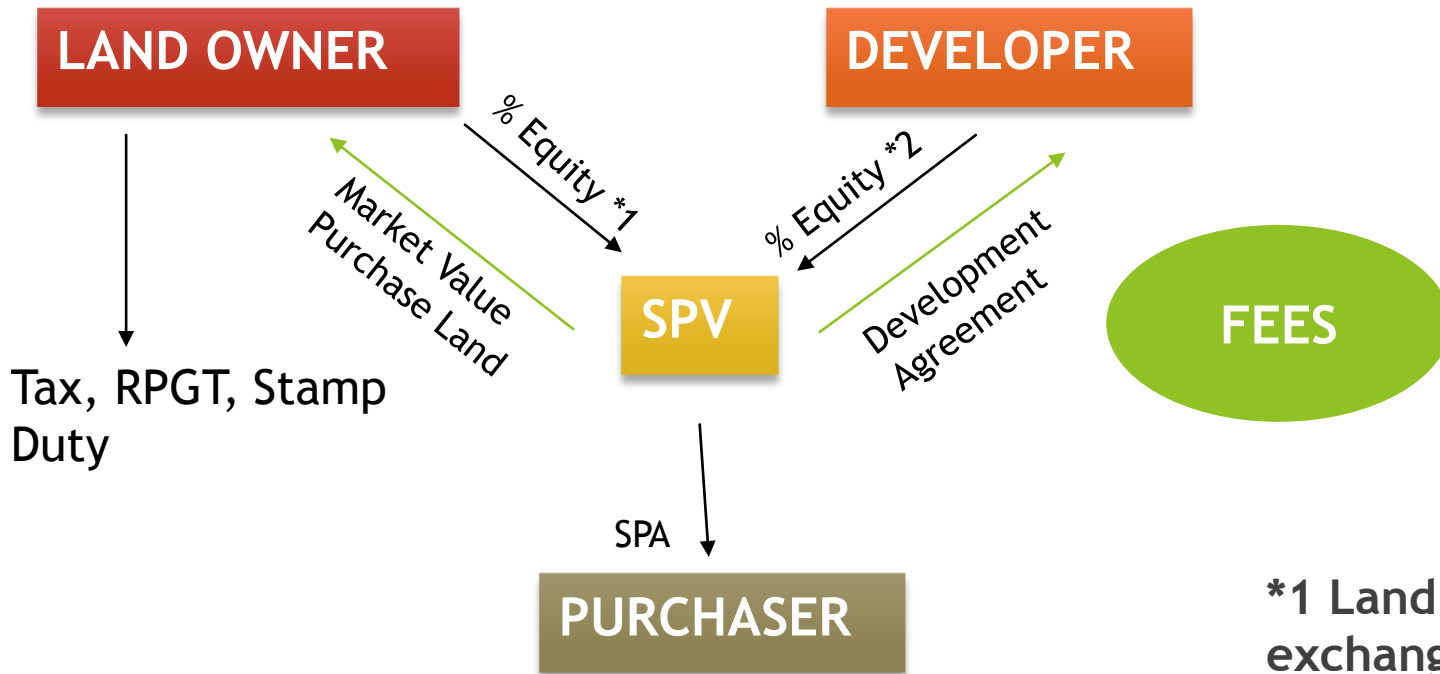
# LAND JOINT DEVELOPMENT



Developers gives land owner's entitlement

1. Percentage of Development Profits or GDV
2. Phased payments
3. In kind- no. of units/ Choice of units
4. Deposits/ Minimum Cash Sum
5. Payment from Proceeds
6. Payment @ Final Accounts
7. Developer keeps Unsold Units

# LAND JOINT DEVELOPMENT



\*1 Land owner values land and exchange for equity in SPV

\*2 Developer contributes working capital for equity in SPV

\*3 Profits of SPV are distributed on % of equity.



# LAND JOINT DEVELOPMENT

## Funding of Project

1. Financing for Purchasing of Land- SPV/ Developer
2. Project Financing of Construction and Development - SPV / Developer
3. Assignment and Charge over the land with consent of owners.
4. Developer to give Corporate Guarantee
5. Debenture & Power of Attorney
6. Developer's Obligation to procure funding
7. Foreclosure by bank
8. Owner's Liability to Lenders



# LAND JOINT DEVELOPMENT

## Pitfalls of Developers in JV

1. Land search on ownership / Encumbrances and Special Conditions
2. Land Acquisitions
3. Zoning and Planning Approvals
4. Company/Bankruptcy/ Winding up
5. Claims and Litigations