

# FREQUENTLY ASKED QUESTIONS (FAQs)

## Weipa Homes - Stage 3

Q1 What is the net return per annum?

*On \$440,000 purchase price, \$2383.33 per month gets paid directly from Rio Tinto Alcan Limited monthly in advance directly into the buyer's bank account – no deductions.*

*On this investment, unlike normal standard residential product, you pay -*

- *No maintenance costs for 10 years*
- *No property management fees for 10 years*
- *No vacancy factor for 10 years*
- *No reletting fees for 10 years*
- *No administration costs for 10 years*

*The Only Outgoings you pay on Tom Morrison Houses are rates - \$2,600 per year and Body Corp \$2,400 per year. \$28,600 per year less \$5,000 = \$23,600 per year = **5.36% Triple Nett***

*On Yileen Court and Circular Houses income is \$2,419 per month – Rates - \$2,600 per year and Building Insurance \$2,000 per year = \$24,428 per year = **5.55% Triple Nett***

Q2 Can I be guaranteed a tenant?

*Currently, Weipa is extremely undersupplied with new homes that is why Rio has asked us to build these houses for them. We Build the Homes and Rio signs a lease with us and then they put their staff/executives in to the homes to live in. With limited rental properties available in Weipa, there is a Rio Tinto Alcan (RTA) ballot system in place. Currently there are a large Number of RTA staff / executives waiting for available homes to rent under this ballot system. RTA staff / executives and their families will be the occupants and RTA is the tenant. Every home comes with a long term lease to RTA and a ten (10) year income stream guarantee. We are currently tendering for the next 16 houses to satisfy Rio Tinto's needs.*

Q3 In your ads, there is talk of 10 year lease guaranteed income – how does that work?

*The lease with Rio Tinto Alcan Limited is registered and it is a 4 year initial period with 2 x 3 year options – total of 10 years . In addition to this lease, there is a 10 year income stream guarantee.*

*Both RTA and the developers,*

*Nomad Building Solutions <http://www.nomadbuildingsolutions.com.au> , anticipate a minimum 40 to 50 year life to the Weipa demand and they have put their money where their mouth is!*

### **Communique – 16 7 2015 4.03 pm**

**“Randal**

***I have discussed the issue of having a 10 year lease with Rio.***

***Their position is that due to accounting standards they do not want leases of over 5 years.***

***This in my view is a standard position by Rio and has no bearing on whether they will stay in a premise or not.***

***South of Embley is a tier one project for Rio, and due to this we are prepared to stand behind the lease for the entire 10 years. South of Embley is a 40 year project of Global significance.***

**Lachlan McIntosh**

**Director**

**Nomad Building Solutions**

Q4 When there is a 10 year lease, is it a fixed amount or is there a market review each year?

*There are CPI increases each year and a market review at the end of 4 years, then at the end of 3 years and again at the end of the next 3 years.*

Q5 What is the rental lease?

*A RTA lease is 4 years + 2 x 3 year options – 10 years. The guarantee from the developer is to cover any hiccup from RTA. All indications are the mine has a minimum of 10 years. With the next Rio mine South of Embley about to commence, this demand shall intensify and it will be more likely be 40 – 50 years of operational mine demand for housing which will auger well for capital growth potential. To see some recent articles about the new mine, ‘Control Click’ on the below links –*



<http://www.smh.com.au/business/rio-tinto-fasttracking-queensland-bauxite-mine-south-of-embley-20140810-102hgh.html>

[http://www.riotintoalcan.com/ENG/ourproducts/1812\\_south\\_of\\_embley\\_project.asp](http://www.riotintoalcan.com/ENG/ourproducts/1812_south_of_embley_project.asp)

Q6 What happens to the lease if the property is sold?

*The lease to RTA Limited is registered on the new title and passes across to the new owner.*

Q7 What are the reletting fees?

*There are no reletting fees or administration fees.*

Q8 Are there property management fees / maintenance costs?

*No.*

Q9 What are the Council Rates?

*Approximately \$1,324 per Half year which is tax deductible*

Q10 What happens at the end of the 10 year period?

*This is the exact reason why this opportunity is very interesting!*

- *The mine in Weipa has been going since 1962*
- *Bauxite (aluminium) is becoming a much more important part of RTA's profit centres as Iron Ore and Coal prices have dropped*
- *US car manufacturers have just decided to go with aluminium for their manufacturing (Wall Street Journal)*
- *RTA are about to start/construct a new multi-million dollar mine across the river South of Embley Mine (see news articles attached in email)*
- *RTA have just sent out the tender for that construction job*
- *When the mine launches it is predicted to be a 30 - 50 year plus facility. Therefore we expect residential demand will sky rocket and as a result so do rents and property values.*
- *RTA are about to expand its marketing and penetration into China and other markets for Bauxite*
- *We have been advised that Rio Tinto is moving (by barge) its mining camp (that can house over 1000 people) from its operations in Karratha Western Australia over to Weipa. This is to service the construction of the new mine "South of Embley". This is the surest sign yet we have that RTA's commitment to Weipa is long term – well beyond its existing operations*

- We have been told the Bauxite quality in the new mine is higher than the existing mine and that the plan is to mix this Bauxite with the current to achieve a higher dollar value per tonne thus improving profitability – this seems a very logical plan

**Conclusion - Long term prospects post ten years – all our investigations are nothing but positive!**

Q11 Is there Building Insurance Costs and Body Corporate Fees?

Yes, in stage 3 (Tom Morrison Opposite the Golf Course) the Building Insurance Costs are included in the Body Corporate Fees of approx. \$2400 per annum.

In stage 2 (Yileen and Circular way) there are no Body corp costs – Building Insurance cost approx \$2,000 per year (2 different Options)

Q12 Does the common wall between the dwellings include a fire rating?

Yes.

Q13 Are the properties strata-titled?

Stage 2

*Yes, however the strata title is small and only relates to each duplex – there are no services engaged by the body corporate, therefore no levies and no common property (except the common fences between the 2 yard areas).*

Stage 3

Yes

Q14 Does each dwelling have a separate water and electricity meter and a separate mail box?

Yes.

Q15 Are the properties built to withstand extreme weather conditions?

*Yes – the properties are constructed in accordance with all of the standard building codes and regulations required by Local and State Government Authorities for a coastal town. Their construction specification is to meet or exceed rare extreme weather occurrences and are in fact far in excess of*

requirements. Properties are covered under the insurance policy by Vero Insurances/or Lloyds.

Q16 Can a Self-Managed Superannuation Fund (SMSF) purchase a Weipa property?

*Yes, in fact in Stage 1, 50% of our buyers have been SMSF.*

Q17 When will the homes be completed?

*All homes are completed and Rio Tinto Executives are now in occupation*

Q18 Who arranges any maintenance / repair issues?

*The builder / developer has appointed a Weipa based person to act as Property Manager on its behalf at no cost to the buyer See the below schedule as to who covers each expense responsibility -*

| Expense                               | Tenant | Lessor | Builder |
|---------------------------------------|--------|--------|---------|
| Electricity                           | X      |        |         |
| Phone                                 | X      |        |         |
| Rates                                 |        | X      |         |
| Maintenance Costs                     |        |        | X       |
| Building Insurance                    |        | X      |         |
| Landlord Protection Insurance         |        | X      |         |
| Builder's Warranty Insurance          |        |        | X       |
| Developer's Post Sale Service Package |        |        | X       |

*The builder/developer shall coordinate through its appointed person the implementation of any maintenance that is required to the homes. For example if a hot water system stops working they will coordinate what is required. The builder / developers appointee will be both your point of contact and Rio Tinto's and its staff/execs/occupants point of contact ongoing.*

Q19 Is an investor required to use any particular financier, solicitor or property manager?

*No – you can choose who you like.*

*Financier – to date the big 4 banks are all supporting the product and our buyers so far have been borrowing up to 80-85% from the banks.*

*Solicitor – we have 3 Solicitors on our panel that we can recommend and who have already reviewed the contracts (and can do at a bulk rate).*

*Property Manager – not required as the developer / builder performs that role.*

## **Randal Wilson Project Marketing**

**[www.randalwilson.com.au](http://www.randalwilson.com.au)**

Q20 What is the process involved in buying a Weipa Home?

- 1. Expression of Interest and \$1,000 deposit (refundable) takes the property off the market*
- 2. Seller's Solicitor prepares contracts (3 days)*
- 3. Contracts are executed (subject to finance)*
- 4. The seller signs the contracts and copies are sent to the buyer and financier*
- 5. Finance application is finalised*
- 6. Finance is formally approved (typically 14 days)*
- 7. Further deposit paid (balance of 10%)*
- 8. Mortgage documents are then prepared and executed*
- 9. Settlement (7 – 14 days after the mortgage documents are executed)*
- 10. Handover of property*
- 11. Tenant (RTA) pays rental money directly into the buyer's nominated bank account. RTA will pay the rent of \$550 per week net, monthly in advance, (\$2,383.33 per calendar month) – Stage 3 and Stage 2 \$2419 per month*



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[www.randalwilson.com.au](http://www.randalwilson.com.au)

