

The Spread Test

Six numbers. Three red lines. Ninety seconds to know if a deal still works.

In a jammed market, the spread is what's left after the market has finished taking its cut. Most amateur feasibilities calculate profit. This one calculates whether profit is still possible. Run it before you fall in love. Not after.

STEP 1 — THE SIX NUMBERS

- 1 **All-In Acquisition** Purchase + stamp duty + legals + buyer's costs + due diligence.
- 2 **True Build/Reno Cost** Builder quote + 15% contingency + finishes overrun + site costs.
- 3 **Holding Cost (months)** Interest + rates + insurance + utilities × realistic timeline, not best case.
- 4 **Finance Cost to Exit** Establishment + interest accrual + discharge + bridging if applicable.
- 5 **Realistic End Value** Today's comparable sales, not last year's. Discount 5% for transaction friction.
- 6 **Risk Buffer** 10% of end value, minimum. This is what stops a bad month becoming a bad deal.

STEP 2 — THE SPREAD

$$\text{SPREAD} = \text{End Value} - (\text{Acquisition} + \text{Build} + \text{Holding} + \text{Finance} + \text{Buffer})$$

If the spread isn't there before you've factored in your time and profit, the deal isn't there either.

STEP 3 — THE THREE RED LINES

| GREEN | AMBER | RED |
|---|--|---|
| <p>Spread ≥ 20% of end value, after all six numbers. Deal works. Move to structure and finance.</p> <p>PROCEED WITH PRECISION</p> | <p>Spread 12 – 20% Marginal. Only proceed if you control the build, the finance, AND the exit. Two of three is not enough.</p> <p>RENEGOTIATE OR RESCOPE</p> | <p>Spread < 12% The market is paying you to do the work for free. Walk away. Politely. Today.</p> <p>WALK AWAY</p> |

ONE LAST THING

If you're running this test and the spread keeps coming up red on every deal you look at, that's not a property problem. That's a market signal. The herd is still chasing 2021 prices. You're seeing 2026 reality. Sit on your hands. The deals will come.