THE PROPERTY INVESTING FORMULA

BEST SELLING AUTHORS BEST SELLING

Millionaire Property Strategies for the Everyday Investor

Jennie Brown & Nhan Nguyen

PROPERTY EXPERTS

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Millionaire Property
Strategies for the Everyday Investor

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TESTIMONIALS

“I recommend you read this book and take on board the many gems offered throughout its pages. The Property Investing Formula’ is a superb manual for all Real Estate Agents wanting to understand the needs of Property Investors and Developers and how they tick. Knowing this creates such a stronger bond and level of respect, and will propel your sales through the roof.

In addition, the information on home staging and selling properties contains vital tips that will help properties sell quicker and faster. Putting this information into practice is a key factor in an agent’s success.”

Deborah Evans

Principal - Deborah Evans Properties Remax Results Brisbane, Number 1 Remax Agent Australia for 8 years, Number 2 Remax Agent Internationally

“THE PROPERTY INVESTING FORMULA delivers an excellent and easy-to-understand introduction to a broad range of property investing strategies. This is a must-read for novice investors, as well as an important addition to the libraries of experienced investors seeking to expand their investing options and discover new ways of making money through property.”

Simon Buckingham

Professional Investor; Director & Mentor at Results Mentoring, Author of “The Sophisticated Property Investor” newsletter and co-author of “The Real Deal: Property Invest Your Way To Financial Freedom”

“During my almost 20 years in the industry, as a salesperson, a coach, a trainer and an investor, I have never come across such a simply-written, no-nonsense guide to making real money from investing in property. The strategies, the practical advice and the wealth of knowledge shared by both Jennie and Nhan are exactly what everyone can learn and start implementing right away.

Success is all about knowing where to start, and how to start and Jennie and Nhan share this .. and so much more. This book, without doubt, a “must-have” for everyone at any stage of their journey to wealth from property investment!”

Terri M Cooper

Principal - Real Estate Mastery, Author of “Success as a Real Estate Agent – Aust and NZ edition – For Dummies”

“Wow! I don’t think I have ever seen such a comprehensive resource for someone interested in profiting from property; period!

Nhan and Jennie offer so much great information in this book and have laid it out in such a logical and structured way that even if you had no prior property experience you surely would be able to find a strategy in here that you could embrace and make your own!

One of the biggest reasons people put off getting started as property investors is the fear of making mistakes and losing thousands of dollars in the process. It is much smarter to learn from other people’s mistakes than from making your own and in this book Jennie and Nhan have given us the benefit of both their successes and failures so we don’t have to learn the hard way!

By documenting the advantages and disadvantages of each strategy they have also given us a great insight into what to look for and what to avoid with each property investing strategy.

I thoroughly recommend you read this book, choose your strategy and then go and apply it!"

David Wright

Founder of Simply Budgets, Property Investor, International Speaker, Author of "How To Dump Your Debt (Without Living On Baked Beans)"

"I have been truly privileged to work with both Jennie and Nhan - both highly successful property experts! What is most inspiring about working with them is their amazing passion, absolute commitment and expert property knowledge.

I believe that when you are looking to learn a new skill you must always go straight to the people with real world experience. Not just theoretical ideas. I know from personal experience that both Jennie and Nhan are the 'real deal' with many, many successful and profitable property deals behind them.

If you want to learn how to create profit in the Australian property market - right now - you MUST listen to the knowledge that they so generously share. And then take action!"

Deb Lindner

The Australian Institute of Home Staging & Mink Home Staging

"This is a fantastic resource, a really comprehensive primer for many aspects of property that are practical and applicable for both beginner and experienced investors."

Matt Jones

Property Resource Shop & Brisbane Property Networking Group Meetup Organiser

"A down to earth book of very helpful tips and hints from two very successful property investors. I've known these guys for years and seen them do some amazing deals. They've written this book in an easy to read manner - if you are about to buy a property, you will learn important lessons that will potentially save you a lot of money (and headaches)."

Paul Derry

Best Selling Author, Property Entrepreneur, and Exclusive Buyer's Agent at My Property GOTO

"This refreshing book certainly lives up to its title! It delivers a realistic and, at times, brutally honest assessment of different property investing strategies. It is well-researched and offers a balanced portrayal into the world of property investing, written by two investors who obviously have many years of experience in various market conditions. In addition to 'How to Profit', the authors reveal many lesser-known risks and how to minimise the possibility of loss. Read this book carefully, and may it be a stepping-stone towards safely achieving your own financial freedom!"

Jason Marianoff

Best Selling Author, Property Investor, Developer and Strategist at Creative Vision Developments Pty Ltd

"This is a fantastic read if you want to make money in property. It's different from any other book about property because these guys actually have made millions in property. I found it inspirational, wise and educational."

Ephraem Leitner
Melbourne Property Investment Group Meetup Organiser

"Jennie is the one you want when entering the property investment arena. Knowledgeable, supportive, trustworthy and reliable. Her energy and passion for property investment has inspired and empowered my success for over 30 years. I am honoured to call her - friend".

John McNaughton
Property Investor, Retirement Village Developer/Owner, Creative Director of Palazzo Design International Pty Ltd

"I have had the pleasure of working with Jennie Brown for more than eight years as a real estate agent. I have been able to negotiate sales of property to her and then on sell those properties for her. During this process I have seen Jennie make excellent capital gains on the way through. Over the years when I have presented opportunities to her, she has a formula for quickly working out if a property is a viable opportunity that is worth considering or not. This enables Jennie to waste very little time in progressing to the offer stage if the property is worthwhile. Jennie has a huge amount of knowledge to share through her own personal experiences making the advice she gives her clients very powerful. Make sure you listen to what Jennie has to say, she will give you advice worth its weight in gold and ensure you have the tools to create your own wealth growth through property and your own personal outlook on life."

Kyli McCrae
Professionals Real Estate, Bowen

“Nhan’s approach to property investing is refreshing and has given my wife and I the confidence to pursue our own property goals. Nhan’s mentoring has not only equipped us with property investing knowledge and tools, his enthusiasm and energy has inspired us to push further. We sought Nhan out because of his experience and skill, but he’s given us so much more in terms of mindset, improving our wellbeing and being open to the opportunities all around us.”

Chris and Justine Boyle
Property Investors & Developers

“I have been actively involved in property investing for over 20 years and in that time I have met many property educators. Nhan’s knowledge and integrity is what I believe has propelled him to be one of the most trusted and reliable in the industry. Nhan’s passion and ability to adapt to changing market conditions is what drives him to continually deliver results. While many others are spruiking strategies that may have worked ten years ago, Nhan is actively developing and investing in today’s market and empowering others to achieve their goals. Whether you are a seasoned investor or new to the investment arena I am confident that Nhan can help to accelerate your success.”

Paul Simpson
Entrepreneur, Developer, Director – Future One Investments

DEDICATION

This book is dedicated to YOU ...

May YOU be hugely successful …

YOU can do this!

ACKNOWLEDGEMENTS

In property investing, you will succeed much faster if you have an amazing team around you. For years, we have known and benefited from wonderful people.

In writing this book, we have again enjoyed the result of an amazing team, and we would like to thank each of the following for their contribution …

- ✪ Our spouses … we love you – Warren and Olivia.
- ✪ Both of us were set on the path of becoming authors by this very inspirational lady. She continues to be there on our journey, and it is with much gratitude that we thank her and acknowledge her Knowledge, Support, Advice and Guidance with Writing, Layout, Publishing and many other areas – Fiona Jones from Author Express.
- ✪ Editing, Editing, Editing – Candace Brown & Amanda Atkins.
- ✪ Design and Layout – Narelle Urbanowicz & Helen Witting from NGirl Design.
- ✪ Research and Writing Guidance – Grant McDuling.
- ✪ Finally, to YOU, the reader – THANK YOU!

The Property Investing Formula

BONUSES

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Introduction

"If we did all the things we are capable of, we would literally astonish ourselves."

—Thomas Edison, Inventor

INTRODUCTION

There can be no doubt that real estate has been the preferred wealth creation strategy for many Australians for many years, and for good reason. Property prices have boomed in all markets across the continent and even ordinary homeowners have seen the value of their family home skyrocket.

There has also been much media hype about the supply and demand imbalance and how this is causing house prices to rise alarmingly. Of course, whether you believe everything (or anything) the media tells you depends on whom you rely on for your information.

These days there seems to be so much ‘hype’ around just about everything. The internet has a lot to answer for. There is so much written about these days that we really do need to be discerning about what to take on board and what not to. But how do we know what is genuine and what is misguided (or even totally inaccurate)?

The vast majority, or ‘ordinary’ Australians have picked up on this hype surrounding the real estate market and formed the idea that this must be the holy grail of wealth creation. In fact, so exciting has all the talk been that many have deduced that they simply can’t go wrong by taking the plunge and diving into the real estate market as an investor.

This excitement has also been stirred up to fever pitch by seminar presenters and property ‘spruikers‘ - those who promote their own causes - who run get-rich seminars all over the country. Many of these, of course, have been exposed as nothing more than schemes aimed at making the presenters rich and have attracted the attention of the Australian Competition and Consumer Commission (ACCC).

Even during the Global Financial Crisis, the majority of Australians never lost faith in real estate. Property prices fell, but Aussies are resilient and we found ways to move on. In some cases, average house prices have continued to rise.

But is everything as it appears to be? Is real estate the ‘be all and end all’ of investment strategies?

Is it true that you simply can’t go wrong investing in real estate?

Real estate is an investment. And it comes with risk. Prices rise, and prices fall. So it is vital that you educate yourself on what drives the various markets, form your own opinion, and invest accordingly.

This book is about giving you the information you need to ensure that you DO make money from your real estate investments. Furthermore, it is about introducing you to a number of different strategies you can use to invest in various markets.

Lastly, it is about giving you options and alternatives, whilst introducing you to the ‘out of the box’ thinking that successful property investors know about and use to their advantage.

We have lots of free gifts to help you on your property investing journey …

There's resources, great book recommendations, helpful links and lots of information from the experts…

And there's also your BONUS CHAPTERS!

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CHAPTER 1

Get This Right and You WILL Succeed!

First comes thought, then organization of that thought, into ideas and plans; then transformation of those plans into reality. The beginning, as you will observe, is in your imagination.

Napoleon Hill

Many people aspire to be property investors. The reality, however, is that only a few make it. Why? What is the difference between the successful and the not so successful?

After asking this question for years, running seminars, and investigating the successful, there is only one conclusion … the difference between the successful and the not so successful is their mindset.

In fact, we believe this is SO important, that we are putting a whole chapter on this topic towards the beginning of the book. We want YOU to succeed!

In recent years, Jennie has been sharing her expertise in this area with thousands around Australia and the world, through speaking and writing. We encourage you to read what she has written below, take action, and be successful.

It is highly likely you have picked up this book because you want financial freedom. And you have decided that you wish to achieve it through property investing.

Ask a room full of people what they want the most, and most, if not all, will say financial freedom.

However, statistics show that less than 1% actually achieve financial freedom. Considering that we live in Australia, and we are, by virtue of where we live, in the top of wealth in the world, why is it that we struggle so much financially and so very few achieve the dream of financial freedom?

A word of warning first. As we get older, we lose track of time. Most would agree that as you get older, the years seem to go faster. And if you were asked, right now, to divulge your age, some of you would actually have to think about how old you are.

The one thing we can never ever, ever get back is time. That is the only thing we never make back. All of us have a certain amount of time. We have a limited amount of time. Now, it might be a day. It might be a year. It might be five years. It might be twenty. But we only have a certain amount of time. How are you going to use that time?

Is it true for you that you do not want to spend your life living a mundane existence, going to work every day, working for someone else, being tied down to a job, having a mortgage, being in the rat race? Would you prefer instead to have the freedom, the choice to not go to work, to quit your job if you wanted to, to travel wherever you wanted to, to do whatever you wanted to do, to spend time with your family?

Would you prefer to do that in the amount of time you have left rather than be distracted by work and choices that are out of your control? Would you would like to have a better life? Is that why you have picked up this book?

The one thing that separates the financially free from the burdened; the successful from the not successful, is what goes on in your head. It is all about your mindset.

> ***The most expensive piece of real estate is the six inches between your right and left ear. It's what you create in that area that determines your wealth. We are only really limited by our mind.***
>
> Dr. Dolf de Roos

Some people achieve huge successes, and others do absolutely nothing. The difference is one moment in time, and the choices you make at every single minute of the day as to how you want to live the rest of your life.

If you are living a mundane life right now, a life that you are not happy with, a life that is not free for you, that is not financially free, then that is a choice that you are consciously and subconsciously making right now.

The life you are living right now is the result of choices you made in the past, and the choices you are making right now will determine the future you have.

The wonderful thing is that you can change that choice in a split second and therefore change your whole future.

Regardless of who you meet that is successful, you will find that they make choices every second that determine their success, rather than their failure.

Let's talk about property investing. You can learn all the strategy in the world, but it is actually totally useless to you. It is useless to you because if you do not have the right mindset, it is highly likely you won't do anything with the knowledge you have gained.

However, if you have the right mindset, it wouldn't matter whether you knew one tiny piece of information about property investing or not. It wouldn't matter if you had all the knowledge in the world about property investing or not. If you have the right mindset, you can do anything you like.

This is the one thing that separates those who are financially free and living the life that they absolutely dream about, desire, and deserve. They live their lives with purpose, with passion. They do what they want to do.

We know a lot of successful people. Richard Branson is one, for example. Does he live his life with passion and purpose? He makes every moment count. Do you ever look at people like Richard Branson and think, "Wow, it's all right for them, but that could never happen to me"? Do you ever think that?

Richard Branson makes a conscious choice every day to get up and live an amazing life. You make a decision every day to get up, go to work, do your property projects, or whatever it is that you choose to do. That is your decision every single day. And just like our friend Richard, you are reaping the consequences of the decisions you have been making.

There are some clear, definite steps you can take towards a successful life.

Step One - Define Your Purpose

What are the things that make you really smile? What are you really passionate about? What would you do, day in, day out, just for the pure pleasure of doing it? And what would you do for just love, not money?

If you could do, be, or have whatever you wanted, with no limitations, what would it be?

What would your life look like?

Each of us is a unique individual, with unique gifts, abilities, skills and passions. There is NO ONE else in the world like you. There never has been, and there never will be. And that means that YOU have a reason, a role, in this world. You were born for now, for a purpose.

If you go through life being distracted by what society demands, or other people expect, or have to instead of want to, you are not living your purpose.

Sometimes people will tell you that it is selfish to live your dreams. It is, however, more selfish, not to live your dreams.

When you deny your dreams, you take away the impact that you will have on others, and that takes away from their lives.

Be brave, start living your purpose with courage, integrity and intention.

You will be amazed at what will happen when you start to live with purpose and intention. And this, in turn, will inspire you to aim for bigger and better dreams, and you will leave a positive, lasting legacy.

You will inspire others. You will feel great. You will be who you were born to be.

Getting in touch with your purpose can take some time. Just start the journey, the rest will follow.

Step Two - Set Goals

It is important to set goals that take you towards your purpose. Your goals can be around various areas – philanthropy, family, travel, career or business, relationships, to name a few.

When writing your goals, be specific, spend time on identifying what the goal will look like when it is achieved. How will you know when you have achieved it? When do you want to achieve it by?

The more specific you are, the more clarity you will have about what the goal will look like. Clarity gives you focus. And focus keeps you on track.

Writing your goals is an important step on the journey to achieving your lifestyle dreams because it assists your mind to believe that it is real and achievable.

Step Three - Write A Plan For Each Goal

Is your goal huge? Do you have absolutely no idea how or even where to start? Does it loom so large that you feel like turning away from it?

Well, hang in there, because this step will help to make it achievable.

A plan gives you small, achievable steps towards the goal. It helps you to stay on track. It keeps you focused. It reminds you of what you want.

For example, if you wish to take the kids to Disneyland, get some brochures from a travel agent, or Google the best time of year to go, or check out the cost of flights, or open a savings account, or choose a date… you get the drift.

Write as many things as possible that are small, and easily achieved, that take you towards the goal. You may have to do some things before you can do others, so put them in order. Keep writing the list.

There's your plan! That's how you achieve your goal.

And now it's time for the next step.

Step Four - Do One Thing Every Day

Take your Action Plan and do something every day. It's that simple!

As you see yourself achieving the small steps towards the bigger goal, you will feel inspired, motivated and passionate about moving forwards.

Step Five - Reward Yourself

Smile! This is the fun part!

Rewards and celebrations of your successes keep you moving forward. Just as a child will clean their room so that they can enjoy a trip to the park, so you should have rewards that inspire you to do the work.

Reward yourself regularly – for the small achievements, the larger achievements, and, of course, the ultimate of achieving the goal!

Step Six - Share Your Success With Others

Rewarding and celebrating is great, however, sharing your success with others is even greater!

Consider how you can spread your success, and benefit someone else – or even something else! You may want to sponsor an animal, support a charity, or do something as simple as sharing a smile.

When you give, it multiplies. You don't know how that is going to affect someone else's life.

And you empower yourself in a way that takes you way above and beyond success.

Step Seven - Repeat!

Keep repeating the process. And repeat often!

Check in on your purpose often, write goals, develop an action plan, take action, reward and celebrate your success, share your blessings with others…then do it all again!

What you do in the split second, the minutes, the moments … today, tomorrow, the day after, the day after, the day after. These choices determine whether next year you have the same result that you have now, being in the same place you are now, with another year gone, which means one less year to achieve what you want … or whether you are one of the successful who have either achieved financial freedom or are well on their way.

It is up to you – it is YOUR choice.

Success is a choice, choose SUCCESS!

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CHAPTER 2

Jennie's Story

I love my life! How many people are privileged enough to be able to say that?

Why do I love my life? There are many reasons, but here is the main one … I get to wake up every day and live life on my terms.

That may sound a little selfish, but for me, that means being free to help others, and I have been privileged to have influenced thousands of people through education, writing, mentoring, and, most importantly for me, through philanthropy.

At the end of the day, I want you to love your life.

Property Investing has been VERY good to me, and I would love you to enjoy the benefits of great investing as well.

Let me tell you how I got started in real estate.

When I was about five years old, my Dad decided to start investing in property. For most of my childhood, I grew up living in homes that were bought, renovated whilst we lived in them, and then sold when the renovating was finished. It was life as I knew it. Fortunately, my father was a jack-of-all-trades and was skilled in many things, including building and selling. But perhaps more importantly, he also ensured that these skills were passed on to me.

Typical of the properties my Dad bought were derelict old houses with loads of problems - dirt floors, outdoor toilet, and a constant state of change and building chaos. Nearly every house had a roof that leaked and we would have every container we could find spread out over the floor to catch the drips. We even slept with containers on our beds.

Dad was my first, and best ever, mentor. By my 20th birthday, he was gently steering me down the path of property ownership. He had decided I needed to buy a house and shortlisted three or four for us to go along and inspect.

We settled on a deceased estate – it featured an outside toilet (which the 'dunny' man came and emptied once a week), no back door, an old wood stove and a brick chimney in the kitchen, a depression-era carpet on the floor and boy, did it smell bad.

But to me it was marvelous.

At the time I was earning a salary of around $16,000 a year and the property cost $28,000. To finance it, my Dad advised me to dress nicely, smile prettily and ask sweetly when visiting the bank manager. This I did, and it worked. The bank manager gave me a credit card with a limit of $5,000 for the deposit, and a loan of $32,000 so I had a bit extra for the much-needed renovations.

With my Dad's help, as well as that of some of the local lads, I moved in and started renovating. I was on a steep learning curve and loved every minute of it. I found myself doing all sorts of things — swinging a hammer, ripping up carpets and painting. I soon discovered that there was a creative side to renovating and my mind began running wild with possibilities.

I eventually sold that property for $94,500.

Jennie's first house, transformed by a renovation – the original house was painted green, with mission brown accents!

Since the purchase of that first property, I have completed dozens of property transactions. And I'm not just talking about buying and holding properties. I'm talking about subdivisions, renovations, strata titling, multi-unit developments and building projects.

But it doesn't end there. Some years ago I was invited to speak to a large group of would-be property investors. I resisted for months, but, finally, when I did speak, I watched people "get it" … that they too could use property investing as a potential tool for wealth and success.

I started running seminars and mentoring programs, wrote a few best selling books, and was asked to write for the media and magazines.

However, I got frustrated with watching people use so little of the information they were learning, and that's when I realized that the difference between successful and not so successful people is their mindset.

These days I'm dedicated to helping people to step up and change their lives and their mindset, particularly around success, wealth and investing.

Congratulations on buying this book and taking the first positive steps towards making your real estate dreams come true. It may turn out to be one of the best things you'll ever do!

CHAPTER 3

Nhan's Story

When I was young, I didn't actually have any interest in property, money or anything materialistic. I just loved having a bicycle and the freedom to go out and play with my friends. Growing up in a housing commission area, I didn't know what it was like to have "stuff".

The only "stuff" that my friends had (and I didn't!) as a 5-year-old included an above ground swimming pool, a Mongoose BMX bike, and a Commodore 64 computer console. But it didn't really matter; other than the bike, I could have the benefit of the other things by simply playing with my friends, so life was good!

When I was growing up my parents weren't into property, nor did they strive to be "rich". They did, however, encourage me to "get a good education, get a good job, and get set up for life". Their idea of financial independence was for me to become a doctor, and as a child and until I was about 20, that was my mission in life; to fulfill their dream of me becoming a doctor.

Whilst at university studying, at 19 years of age, I picked up the book "Rich Dad, Poor Dad", by Robert Kiyosaki. Soon thereafter my life was at a crossroad. Everything in the book resonated with me, and I soon realized my life path was not as clear-cut as I had envisioned…those two or so years of being at a crossroad were tough; doctor or entrepreneur? Please my parents, or please myself?

Eventually it became clear; it wasn't until I was 19 years old that I realised that becoming a doctor wasn't actually *my* dream. It was a kid's dream that was given to him as a child, then carried along, fed and nurtured for years and years… and now was the time of reckoning.

My grades started to plummet during this time as I went out and explored the business world, going to university during the day to finish what I had started, going to business and property seminars and courses at night, two-four evenings per week. I tried many things, network marketing of various types (from Amway to selling phone plans, to a lotto scheme), paper trading (shares), and eventually property.

As I had no job and very little savings, I couldn't see myself buying a property at the beginning. I didn't have a need to live anywhere, as I already had the security of living at home with my parents, where the dinner was always served and washing always done.

Soon through meeting some very honest and successful people at seminars, I became hooked on property. I was going out regularly to inspect other people's deals and they would gladly share with me about how they bought them, how much they paid, how they were renovating them, and their vision for the properties.

I soon realized that this game both fascinated and excited me, and even though I was never really good at Monopoly growing up, I could learn to excel at any game if I studied it long enough. Finally I realized what my parents were getting at. They wanted me to be a good student so I could excel in any field that I wanted – and I'd found it!

When I was 21, I was ready for action and having a full time job meant I was able to borrow money from the banks! In no time at all I had bought my first three properties.

Nhan's first purchase …

However, due to a lack of experience, I made my first mistake; I put tenants in the first property who were receiving welfare payments, and they eventually trashed my property. I ended up selling the property as a distressed seller, and missing out on the property boom of 2001-2003 - missing out on at least $500,000 growth on those properties. In my naivety I sold them all. It took me a while to emotionally recover from the humiliation of the property being trashed, but when I did recover in 2003, I had found myself a money partner, and we went out and bought $2,000,000 worth of property together…I was on a roll.

Since then I have done over $21,000,000 worth of property deals, and this number grows by the year. I have done strata titling, renovations, adding development approvals, land subdivisions, bought unit blocks, built luxury homes, built low set homes, offered vendor finance, the list goes on and on. I share this with you not to impress you but to encourage you; you can do it, whether you have skills or not, whether you have money or not (I certainly didn't). All you really need is some drive, ambition and the willingness to work at it for as long as it takes until the job is done. Use this book as a stepping stone to your next deal, and don't stop there…I didn't!

Part 2

Property Strategies

"Defeat is not the worst of failures.
Not to have tried is the true failure."

-- George Woodberry, Poet

THE STRATEGIES

It's all very well approaching the business of real estate with loads of enthusiasm and all the best intentions in the world, but if you don't know what you're doing, you are likely to get your fingers burnt - and lose a lot of money.

Similarly, you can have a huge amount of money to invest - like from winning Lotto - but if you make a few ill-conceived decisions, you are likely to lose money faster than you might have thought possible.

Those new to investing in real estate soon learn that there are more ways to go about it than first meets the eye. As the old saying goes, good judgment comes from experience, while experience comes from bad judgment.

Success, as we've come to understand, had to do with avoiding the mistakes others made. You see, in real estate, mistakes are so costly. Even the cheapest property is likely to involve a substantial amount of money, effort and time. The good news is that you are not the first to venture down this path; countless millions have done so before you. So why not take on board the lessons they've learnt? It makes good financial sense to leverage the knowledge of others, and that is what this book is all about.

Think of it this way: succeeding in real estate is much like succeeding in anything else. If you understand the rules of the game you are playing, then at least you are in with a chance of succeeding.

Can you imagine getting a bunch of your closest friends together and forming a rugby team, with the aim of playing in your local professional rugby league the following season? Let's suppose for a moment that that is exactly what you have done. Let's suppose, too, that none of you had the faintest idea of the rules of rugby. How do you think you'll go in your first game?

Interesting thought, isn't it? You see, you'd be lucky to even present a token resistance to any 'real' rugby team. Would you even know which way to head on the field, let alone how to avoid being ruled off side? We're sure you'd agree it would be a pretty easy job for even a weak rugby team to take you to the proverbial cleaners.

It's much the same with anything. Sailing, repairing a motorcar, flying an aeroplane or baking a cake all have 'recipes' that need to be followed. So let's take a closer look at this now, shall we?

Let's say you wanted to bake a chocolate cake, what would you do - assuming you'd never baked a cake before?

Would you simply get out a bowl, add whatever ingredients you just happened to have in your fridge and begin mixing? No, of course not. You'd get hold of a recipe to begin with, wouldn't you?

So what would happen if the only recipe you could find was one for a carrot cake? If you opened up the recipe, assembled all the listed ingredients and followed it step-by-step to the letter, do you think you'd end up with a chocolate cake?

Of course you wouldn't! You would end up with a carrot cake, wouldn't you?

So now if you wanted to achieve your investment goals through investing in real estate, what would you do?

Would you dash off to see the bank manager, apply for an arbitrary sum of money and then leg it to the nearest real estate office to ask to be shown a few properties in your price range?

Maybe you would, but if you did, do you think you'd be able to make a sensible purchasing decision that would earn you money?

Unlikely.

Sensible real estate investors at the very least sit down and plan their approach. They know that there are better ways of minimising their risk. Some buy books to learn what others have done, while others join investment groups, attend seminars and workshops or subscribe to real estate magazines or online sites. You see, they know that the best tool they can have is knowledge.

Of course, real estate is such a huge subject that it takes years of dedication, perseverance and persistence to gather enough knowledge to really get to score big wins. Just becoming an expert in your local area is a big enough task without delving into fields like commercial, retail or industrial property. That's another story all together.

One of the first things you will discover if investing in real estate is new to you is that there are various strategies you can use to make money. In fact, you will probably become overwhelmed, there are so many of them.

So where would you start? Which one, or ones would you try? How would you even know which strategy would be better suited to what you want to achieve by investing in the real estate market?

We are great believers in the principal of leverage, and will therefore make the task much easier for you by focusing on what we have found to be the most common strategies used in real estate investing today.

Of course, there are far more than these, but for the purpose of giving you a good understanding of the real estate game, we will stick to 21 of the most common. Not all of them will earn you good or quick returns; in fact, some of them will actually lose you money, but they are popular simply because of the common misconceptions most of us have about them due to our upbringing here in Australia.

So why are we including them in our list of strategies? Simply to put them into perspective and to let you know what they can, and can't do, for you as an investor.

At this point, we would also like to reiterate that it's important to bear in mind that all strategies have their time in the market; what works during a slow economic period may not be appropriate during boom times. You therefore do need to constantly re-evaluate the strategies you are using and adapt them according to market conditions.

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CHAPTER 4

Negative Gearing

When someone buys a property, finances it and then discovers that the return on their investment is less than their outlay, they will find themselves making a paper (or cash) loss on the deal. This property is said to be negatively geared.

Here's an example:

Property Purchase Price	$400,000
Rental Income: $400 pw x 50 weeks *	$20,000
Less Interest @ 6% p.a.	$24,000
Less Rates	$ 1,200
Less Insurance	$ 1,000
Less Rental Management Fees 8%	$ 1,600
Net Annual Position	**$ 7,800 Loss**

** Here we have assumed 2 weeks vacancy taking into consideration a tenant changeover*

Most people we speak to say that the attraction about negative gearing as an investment strategy is that you can write your losses off against tax. That may be true, but they should remember that tax is something that is controlled by the government and as such, it is something they can change at reasonably short notice. So, if you were entering into a long-term financial arrangement (most real estate deals tend to be fairly long term), then it would be unwise to base it on something over which you have little or no control.

Another reason people venture into negative gearing is for the 'depreciation' tax advantage. Basically, this means that some items in the property, if they are new or new-ish, can be 'depreciated' and the depreciated amount is used as a tax deduction.

This strategy is widely taught in Australia and New Zealand, but again, laws can change very quickly, as New Zealanders discovered in 2010 when the government changed the depreciation laws and tax deductions were nowhere near as enticing.

Another so-called advantage of negative gearing is that you can reduce your tax - sometimes to zero. Advocates of the strategy loudly proclaim this. If you seriously think about it, you'd see that to claim a tax deduction using negative gearing you'd have to spend more on your investment each year than you earn from it. In other words you'd have to lose money. Now to our way of thinking it might make sense to do that for a while as part of a larger, more comprehensive strategy, but as a stand-alone strategy it hasn't got much going for it.

In reality, negative gearing is a fact of life. However, we believe it has a place in this book simply because for many of us, we end up with negatively geared properties; not because we set out to acquire them, but rather because that's the way the deal turned out at the end of the day.

The majority of investment properties bought in Australia fall into the negatively geared category. These properties can range from very low cost to high-end real estate.

Rental returns are unlikely to cover your outgoings, but in the long run, you could be aiming for a handsome capital gain. You would be looking at holding onto these properties for the long-term though, unless you are operating in a booming market. A legitimate justification, therefore, for pursuing this strategy is that the lower rental returns will need to be compensated for by high capital growth at the time of sale.

Advantages

The main advantage of negative gearing has got to be tax advantages, but this should NEVER be a reason to invest in the real estate market. There may be exceptions, like highly paid executives who need to build up a tax loss in order to help balance their overall tax position MIGHT be one, but even then, we would still carefully assess this strategy as an option. Smaller investors sometimes find themselves being dropped into a lower tax bracket, with the consequential reduction in the overall rate of income tax, as a result of factoring in a large loss due to a negatively geared property.

Another justification some use for acquiring a negatively geared property is that they are aiming for a capital gain down the track when they eventually sell. This may be all well and good, but in order to survive financially until you can sell and realise a capital gain, you need to be able to absorb and cover the losses along the way. Many just don't have the financial flexibility to do so.

Tax benefits is like the "cherry on top" of the ice cream, if you get it, it's a bonus, but NOT the primary reason you should be buying real estate.

Disadvantages

We're sure you can see where we are going with this. Because we believe every real estate investor should, by definition, be aiming to make money, this strategy has no place in our suite of options. You see, the very term invest means to put money to use in something offering profitable returns. That's the definition of investing. Negative gearing certainly doesn't fit this definition, does it?

So why then is this strategy so popular in the market place today? Why would someone intentionally want to LOSE money through investing in real estate? Isn't everyone investing in real estate to MAKE money?

The short answer is that they don't intentionally want to lose money. If they did, there are far easier ways of doing this, aren't there? We think it has more to do with them not fully understanding the ramifications of the strategy.

In addition, those who use this strategy for capital growth run a number of risks. Unfortunately, these are rarely addressed or advertised.

If you were to sell a property that has been depreciated, at the time of sale, all depreciation is "paid back" to the Tax Office. So, whilst depreciation sounds great, it is only a way of 'borrowing' for cash flow purposes.

Also, purchasing for capital growth is risky business. The majority of investors using this strategy are under the illusion that property prices always go up. However, talk to some seasoned investors who have steadfastly held their real estate through the crashes in the market that occur every ten or so years, and they'll vehemently disagree with this statement. Property prices do fall and it can be a very hard lesson if you have a property that is costing you money and you can't sell it to break even.

Nhan's Real Life Example

Nhan's dud negative gearing property

In 2007 I built some executive homes in Bulimba, a very prestigious suburb 4km from Brisbane CBD; the median price was approximately $600,000 at the time, and average annual capital growth had been 8-10% p.a. for at least five years. I sold all but one, which I kept as a "buy and hold", and rented it out for approximately one year. When the GFC hit, the property's value (along with everyone else's) dropped significantly, and I sold out. Had I not sold out I would still be losing money to this day.

Let's take a look at the figures:

Land purchase	$348,000	
Build Price	$300,000	
Costs	$ 50,000	
Total	**$700,000**	
Rental Income of $850 pw x 50 weeks	$ 42,500	p.a.
Less Interest @ 8%	$ 56,000	
Less Rates	$ 1,200	
Less Insurance	$ 1,000	
Less Property Management @8%	$ 3,400	
Net Income Position	**$ 19,100**	**loss for the year**

Had I held that property for a total of five years, I would have lost nearly $100,000 in equity due to holding costs. In 2009, even though I sold for less than what it was worth the year before (I had sold two similar houses for over $900,000 the year before), I sold for $840,000, and took my profits and ran (or what was left of my profits).

My friends, capital growth is not certain, and if you depend on it to become wealthy you could be in strife!

CHAPTER 5

Positive Cashflow

Positive cashflow deals are ones in which the rental income you receive is more than all the expenses you incur as a landlord. This strategy gives you a positive, taxable cashflow.

A positive cashflow property is the exact opposite of a negatively geared one because it allows you to MAKE money from your real estate investment. This was a strategy that worked really, really, really well a number of years ago, but then with the boom in the property market and the increase in property prices, it became something that was very, very difficult (or almost impossible) to find. However, the rental market has cycles just like all other aspects of property, and this is likely to change again, making this strategy something that's worth looking at.

A typical cash flow property is generally mortgaged to the maximum, usually making the profit very small in terms of dollars. The lower the debt or mortgage, the better the profit.

Advantages

A positive cashflow property gives you cash in your pocket from day one. It brings in an immediate return, which you can use to offset other expenses, build towards your next investment, put towards your income, or use to finance renovations.

Another advantage is that, if you hang on to the property or if the market booms, you will find yourself benefiting from capital growth, although this is seldom the reason you would buy one of these properties in the first place. Consider any capital growth as a pleasant, unexpected bonus.

One of the best things about this strategy comes into play when you own the property outright. With no debt or mortgage, the property plays the role of investment property as it was intended to - it gives you a profit and a return!

Disadvantages

Although this strategy has a lot going for it, it does have a few drawbacks - or at least things you need to be aware of. Even though the typical positively geared property will return you something in the order of very small amounts of money - $20 to $100 a week - unforeseen maintenance issues can quickly soak up this money, leaving you out of pocket and turning it into a negatively geared property.

If you are using debt to finance this strategy, be aware of interest rate rises - these can turn positive cashflow into negative gearing overnight.

In reality, to really make decent money using this strategy, you either need to have a few debt free properties, or a lot of mortgaged positively geared properties in your portfolio.

Real Life Example

A quick exercise a number of years ago convinced us that this strategy could be hugely beneficial, or a huge noose around your neck.

Take this simple example.

If we buy a house for $100,000, mortgage 80% ($80,000) @ 5% interest pa, then we will be paying around $80 per week in interest.

Let's say that the rent is $150 per week. That's a 7.8% rental return (to work out rental returns, take the annual rent and divide it by the cost / value of the property - in this case $150/week x 52 = $7,800 divided by $100,000 = 7.8%).

Without taking into consideration any other costs, that gives us $70 per week in our pocket.

That's $3,640 per year, and we're going to believe we have NO maintenance issues for the purposes of this example!

Let's say that we work out that we want a passive income of $50,000 per year. That means that we need 13.7 properties to achieve it.

Who wants 13.7 properties, 13.7 tenants, and 13.7 maintenance issues?

In addition, that would be $1,370,000 worth of property - sounds great, doesn't it? Well, it also means $1,096,000 worth of debt. Oops. It also means just $274,000 in equity.

Now, what if we bought that same property for cash? That would give us the same return, however, all the rent would come into our pockets, giving us $150 per week, or $7800 per year.

And for the same passive income of $50,000, we would need 6.4 properties to achieve this.

That's just $640,000 worth of property, but no debt, and $640,000 worth of equity.

Less properties, less tenants, less maintenance issues and less purchase costs (stamp duty, legal fees, inspections). The savings are enormous!

No bank controlling us, no holding costs, no interest payments ... the list goes on and on. And we would not be controlled by interest rate rises where our income could drop significantly - just a 1% interest rise in this example would take around $10–$12 per week off our income.

In actual fact, we are WAY better off to be debt free.

We call this the "Keep It" strategy.

Our experience with this strategy has been to first choose a higher return investment property. For example, we would look at a $500,000 house giving $500 per week rent versus one unit worth $250,000 giving $500 per week rent and choose the second opportunity based on higher rental return. Other things to take into consideration are demographics, rental demand, etc.

In summary, always look around for the best return on your money. Pay cash for the property (or as much cash as possible), and pay it down as fast as you can. Use other strategies to make cash (we call those "Make It" strategies) and funnel them into this property. Can you see where this is going?

A number of years ago we worked this out, and set out very deliberately to create a "Keep It" portfolio. It contains a small number of well-chosen, high return properties. We are constantly evaluating each property, and we will sell and re-invest to obtain a better return. The best part – it is debt free.

CHAPTER 6

Buy and Hold

This type of deal, as the name suggests, involves buying a property and holding it for the long term. The reason you would do this is because you would be banking on making a capital gain down the track when you eventually sell, simply because the property would have risen in value over the years.

Of course, most things tend to increase in value over time, but you need to work out whether this increase is intrinsic to the property itself or just that the value of money has fallen. In other words, is the increase in value real or is it perceived?

If this strategy appeals to you, there are a few things you need to consider when setting out to find prospective properties to evaluate. Firstly, you should decide which properties are more likely to increase in value over time. Are they to be found in up-market suburbs where rentals are at a premium, or, is a house in a working class area a better bet? What about up-and-coming suburbs? Can you identify future population growth corridors in your state (or area of interest) that are likely to see demand for housing to skyrocket? Are there any major industrial or commercial developments planned for the future that will have an impact on rental demand? What type of tenant do you think would be best suited for a buy and hold investment property? Are you willing to aim for many tenants over the course of your ownership or would you prefer a few long-term tenants? Where will you most likely find them and what type of dwellings would they be more attracted to?

Advantages

On the surface, it appears that properties rise in price at a faster pace than inflation. This is one reason why all the experts say that real estate is the most exciting type of investment there is. It is also a reason why property has done so well and been the investment avenue of choice for so many over the years. Property has always been in demand because everyone needs somewhere to live. Furthermore, because the government doesn't provide accommodation to the masses, they have left it up to the private investor to do this instead. To encourage this, they have made it attractive for investors to get involved by buying rental properties.

Most renters prefer not having to move from one home to the next on a regular basis. There is nothing more annoying (and expensive) to them to have to find somewhere else to live just because their landlord has sold the property and the new owner wants to move in at the end of the existing lease. People like stability, and this they find when renting from an owner who has a buy and hold property. Long-term leases are also, of course, in the interests of the owner as occupancy rates are increased, leading to a far greater return on investment.

The main advantages of buy and hold deals are capital gains and long-term stability. But there are others such as certainty about your mortgage and on-going costs and expenses as well as the ability to develop a long-term relationship with the property manager you appoint to look after the property on a day-to-day basis.

Disadvantages

Generally, the longer you hold a property, the more you are going to need to spend on maintenance. After a period of, say ten years, you are likely to have to re-carpet the place and repaint it inside and out. Then there is the roof that may need a closer inspection. Woodwork, whether it be in the roof or the walls may need attention; rot in the damper regions of the country or dry rot in the more humid areas is a distinct possibility and this isn't cheap to fix.

Termite barriers, too, may need to be redone. Again, this can be a costly exercise but it is necessary if you have the well being of your investment in mind.

Hopefully you won't have any structural work to attend to, but the longer you own the property, the chances of something along this line needing to be done increases.

Swimming pools can be another costly item, and you really can't expect them to remain in pristine working order indefinitely. There's not only the pumps and filtration equipment here; the concrete liner of the pool may develop cracks, begin leaking or become stained.

Rising costs over the longer term will actually make your return on investment quite small when you do eventually sell, particularly when you consider the total amount you've outlaid over time whilst holding the property.

Be aware also that holding a property long term will take you through various property market cycles. Values do fall, so if you are counting on capital gain, do your research thoroughly.

Our Comments

We tend to use this strategy for passive income, and it's been very good to us. Again, debt free is our recommendation.

CHAPTER 7

Renovation

We call renovation a strategy that beginners often use because they think they have to start with a renovation to become experienced. But for us, experience is not worth it if you are losing money.

This is a great strategy, especially in a market that is climbing. Aim to buy cheap properties that have the potential for renovating. Be on the lookout for properties that have had a partial renovation though, because it is likely that the previous owner either ran out of money or planned an over-ambitious project, only to later discover that he or she had over-capitalised and would be unlikely to recover costs in that market. Could this be why the asking price is so low?

You need to do your research well when chasing a renovation deal because ultimately the profit you make will depend largely upon the price you pay for the property in the first place. You need to ensure that you buy well for this strategy to really produce results.

When it comes to planning your renovation, remember to remain realistic or you run the risk of blowing your budget - and along with it your profit expectations. Understand that you are not the one going to live there, so don’t use your standards for the renovation. Keep things in perspective. Sure granite bench tops would be nice in the kitchen, but in all honesty, unless the property is in an up-market suburb, any tenant will be delighted with a new laminate one.

Make sure you factor into your budget the purchase costs such as stamp duty (allow 3-5%, as this varies from state to state), legal fees (allow approximately $1,000) and inspection fees (up to $1000). In addition, selling costs need to be factored in as well. A lot of people think if they buy a property for $200,000, complete $20,000 worth of renovations, and sell for $250,000, then it’s a good deal. In actual fact, after factoring in purchase and selling costs, it’s highly likely this would not break even.

Also remember that renovations inevitably cost more than you budget for. A lot of unexpected expenses arise when you start knocking out walls, or review your plumbing or electrical wiring. Make sure you have a decent contingency amount factored in.

Last but not least, is it really worth it? If you are the type of person who is completing the renovation yourself to ‘save’ money by not hiring in experts, will that ultimately cost you in the long run? Work out how many hours you think it will take, add in a few more for good measure and emergencies, and divide your estimated profit by that figure. What is your hourly rate? Can you earn more by going to work? Or by putting your money into the bank?

Advantages

One of the main reasons we favour renovation as an investment avenue is because it is relatively easy to add value to a property. All you really have to do to achieve a higher valuation than when you bought it is to tidy up the garden, give the place a quick lick of paint, add a carport or shed, erect a fence around the property, replace the lounge-room carpet and upgrade the stove and dishwasher. You could go further and put in a new kitchen and bathroom.

If you make the decision to rent out the property after renovation, bear in mind that for every extra dollar your property manager can get for the property in rent will positively influence its valuation, which in turn affects what you can sell it for or borrow against it by way of refinancing. This amounts to using leverage to help pay it off quicker without you having to have additional funds tied up in the property in the long term. The added valuation allows you to recover the amount spent on the upgrade plus more, while the additional rent helps pay off the mortgage quicker.

Disadvantages

Renovation is something that carries its own set of risks. You could run the risk of over-capitalising. If your aim is to rent the property out, this could force you into a negative cashflow deal.

Regardless of the purchase price of the property, essential expenses such as purchase, holding and selling costs alone can run up to huge amounts. Then there are the renovation costs, and most likely the unexpected budget blowouts.

Be aware that the market can turn at any time, and small profit margins can turn into huge losses very quickly. If you don't think it could happen to you, talk to the myriad of investors who got caught by the market downturn in 2008.

In a market where properties are generally losing value, it's hard to make money on a renovation. This is because whilst you're hoping to add value to the property, you could in turn lose any value that you've added while you were actually doing the project, bringing you back to a negative (or a neutral) position.

Another disadvantage of renovation is that it is time consuming, and usually needs to be micro-managed. To really do well, you need to be organised and have access to great tradesmen who turn up on time and do a great job.

Our Comments

We have learnt over the years that it is important to pick the right time of the market, the right area, and to be extremely organised.

We have both seen people take months to complete a renovation. The strain on their finances with holding costs, and the emotional and physical strain are, as far as we're concerned, is not worth it. We have seen families torn apart because the parent or parents spend all their spare time working on the renovation (do-it-yourself people) instead of being with their family. We have seen arguments, frustration, anger and emotions boil over when trades people don't turn up, or the do-it-yourselfers are out of their depth.

On the flip side, we have seen renovations take place like well oiled machines. These are generally people who know what they are doing, are consistently and constantly on site, are extremely organised, have well-established relationships with their tradesmen and often do little of the work themselves.

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CHAPTER 8

Rent to Buy

If you are after an investment property that produces great cashflow, then this may be the strategy for you. It is certainly not one that is commonly used by most investors; in fact, most have never even heard of it.

So what is it and how does it work?

Firstly, before we get into the specifics, this is a strategy you can use in two very different situations - to set up a great stream of regular income, and to move a property that is difficult to sell. Let's now look at them in more detail.

If you want to create a good, strong and regular level of income from an investment property, you would start out by looking for someone who wants to own their own home but can't, because they either can't come up with the deposit or they don't qualify for a mortgage. It could be that they have just gone through a divorce or lost their business; it could also be that they are young newlyweds who have steady jobs but don't have the deposit required to qualify for a loan from the bank.

How do you find such people, we can almost hear you asking? Well, it could be as simple as running an advertisement in your local paper. You know the ones - 'Buyer wanted, no deposit necessary', or 'can't come up with the deposit the banks want? Own your own home for just $7,000 down and $1,500 a month.'

When you find the right person (one you are satisfied with), you then ask them to go out and find five houses in the area they'd like to live in that meets your price limitation (you'd of course need to work this out beforehand). This not only saves you doing the house hunting, it ensures that the house you buy will be the one they absolutely love. Then you negotiate the purchase of the property just as you would in normal circumstances.

The key here is having a financial package the tenant can afford. You buy the house they want, you become their banker, they sign a rent to buy agreement (essentially a long-term lease with a low deposit and high monthly repayments and the right to buy at some point down the track) with you and they move in. Remember now that in their eyes, this house is theirs; they will be doing all the maintenance and regular upkeep because, in their eyes, they will be looking after something they will eventually own.

This strategy is also very useful for selling hard-to-move properties. This is how it works.

Let's assume you already own an investment property, which, for whatever reason, you just can't sell. Perhaps you have over-capitalised and can't find a buyer at a price that gives you some level of profit. It could also be the simple fact that the market has slumped and buyers are scarce. Or it could be that you paid too much in the first place and need to sell the property before you rack up bigger losses than you already have.

What you do now is to offer the property, on a rent to buy arrangement, to the existing tenant, or to a potential new tenant. You may include a nominal deposit to secure the deal (giving you an immediate injection of cash) or you may not, depending on the situation. But we find most existing tenants, if they liked the property and would like to acquire their own home at some point, would be more than willing to pay a deposit to secure the home they are already in. If you asked for just $6,000 they may even be able to pay this on their credit card. And $6,000 is better than losing money, isn't it? You could then also bump up the weekly rent, say by 20%, as part of the deal. Most tenants would see this as part of their investment towards owning their own home.

Advantages

The first big advantage with this strategy is that not much can go wrong. You get an immediate injection of cash in the form of a deposit and an increase in rent and if the tenant defaults, you still own the property and get to keep the deposit. You have also benefited from the higher rent.

Another advantage is that you don't have the usual headaches most investors have when dealing with tenants. There is no longer the chance of having a problem tenant occupying your investment property. Your investment property will also be looked after well during the term of the rent to buy arrangement because the tenants will be treating your property as their own. This should result in far lower maintenance costs.

The tenant, too, enjoys certain advantages, like not having to apply for a regular mortgage and being subject to the bank's (or other mortgagee's) fluctuating prices, not having to come up with a large deposit and not having to move again. Saving on a move alone can be worth a few thousand dollars.

Disadvantages

The main disadvantage of this strategy is that you will miss out on any long-term capital growth in your property. You may also find it harder to find the initial finance to buy a property under this strategy.

Remember too, that if the tenant for some reason cannot proceed to sale, you are left 'holding the baby' – make sure that the property is a sound investment and will still make you money.

Finally, choose the tenant/buyer very carefully, as you as the owner will be playing the "rental manager" and "bank manager" role all in one, approving someone to occupy your property and pay you rent, with the intention of buying your property down the track (should they able to get finance). The better you are at choosing this person, the better chance you will have of making this deal follow through to completion.

Nhan's Comments

Even though personally I have only done this strategy a couple of times, I have seen it work both successfully and unsuccessfully for other people. Beware the educator who sells this to you, telling you it is easy money – I promise you, it is not; there is a lot of time and effort in finding the potential tenant, the potential property, and then you still have a property, a tenant and the usual work that comes along with that. Sometimes you're best off being the tenant with the right to buy off someone else, but we will cover that in a later section.

In addition, make sure you seek appropriate legal advice BEFORE undertaking this strategy. There are legal issues you must know about and abide by.

Having said that, if you have a property that is difficult to sell, this could be a contingency plan for you.

CHAPTER 9

Strata / Community Title

This is a great strategy to use if you want (or need) to make some quick cash. What we like about it is that it isn't complex to manage and doesn't take up too much of our time.

So what exactly does the term *strata title* mean? It is, quite simply, a system for handling the legal ownership of a portion or 'lots' of a building or structure. They can apply to a wide range of properties, such as units, townhouses, shops, factories or warehouses. When it comes to structures like caravan parks, vineyards or retirement homes, a special form of tiered management system, known as Community Title, was introduced.

As a general guide, strata schemes involve your traditional block of units in which a group of individual owners share some common facilities such as driveways, garages, swimming pools, elevators or gardens, while community schemes are aimed at more complex structures that involve different building types, such as freehold homes and strata titled units all in the same estate. Owners of strata titled property are generally responsible for the upkeep of everything within their lot, except the actual structure of the building, while with community titled property; lot owners are responsible for maintaining the structures on their lot, including the buildings.

Let us now give you an idea of how this strategy works.

Basically, you look for, and find, a block of units – it can be two, three, four, five, six or however many you like – but the important thing is they must all be on one title. So what you are doing is buying ONE structure or entity, not a bunch of individual units. Once you have that, you proceed to title each unit individually, creating a bunch of individual 'stand alone' entities that you can resell individually.

This is a great leveraged strategy because you are only going through one buying process but getting many (or numerous) sales out of it. It's like buying one thing and selling it over and over again, isn't it?

There is a very good upside for making money with this strategy.

Another bonus of this strategy is that there is usually rental income available from the tenants whilst you are undertaking the strata title.

Advantages

With strata title, each unit becomes individually titled. This adds value to the entire property because you have increased the quantity of lots, which makes it attractive from an investor's perspective due to the potential increase in valuation. You see, individually titled units are almost always worth more than they would be as part of an entire block covered by just one title (unless the vendor has priced them based on individual pricing!). From a valuation point of view, the banks regard them as being worth more, and a better investment, as individual units.

Another advantage of going down the strata title route is that you can always rent them out to get some return on your money while you are selling them. You might want to keep them as individually strata titled units, using the buy and hold strategy, or you might want to sell some and keep some. It is really up to you, but it is a great strategy for making money. And it is flexible too, allowing you quite a few options or variations to play with.

Disadvantages

Of course, there are always disadvantages to any strategy, and this one is no exception. One is the need to establish a body to manage and run the complex as a whole, otherwise known as a Body Corporate. Now it may be that you are the sole owner initially, but should you decide to sell off some units and hold on to others, suddenly you have other interested parties involved. A Body Corporate Fee will need to be charged to finance a range of costs that will be associated with the complex.

The Body Corporate Fee usually consists of two main components: an Administration Levy to pay for the management of the complex (a manager and staff and their related expenses), and a Sinking Fund Levy to cover repairs, maintenance, that sort of thing. Now if something major needs doing and there isn't sufficient money in the Sinking Fund, the individual owners will have to dig into their pockets and come up with the money. However, what should happen if some of them, for whatever reason, couldn't? The work simply won't go ahead. So what does this mean for your investment? Well, it means that the valuation of the complex will be affected.

But let's suppose that nothing major needs attending to in the complex you are involved in. What other disadvantages might there be?

The value of your unit (or units) can be negatively affected if a unit owner sells for a price that is generally regarded to be below the going price for units in the complex. Now this does happen. There could be a divorce and the titleholder decides to sell quickly just to finalise the breakup. Some may accept a low offer because they simply need the money. Others may need the proceeds of the sale because they have committed to the purchase of another property and settlement is upon them.

The list is endless, and so can be the effects on the value of your investment. If the valuation of the complex is reduced, this could have a secondary effect on the value of your property, especially if you carry out renovations or other value-adding activities - you could suddenly find yourself over-capitalising.

Jennie's Real Life Example

Jennie's block of three x two bedroom units strata title deal

To give you a good insight into a 'real' strata title deal, I'm going to outline for you, in some detail, the experience I had with the Leichhardt Street project.

This was three, two-bedroom units. It was a ground level building that was very, very boring, on a normal sized block of around 800 or 900m² and was made of besser block with a zincalume steel roof.

The grounds were well maintained. One of the tenants was a gardener and he had built a beautiful rock garden. It had nice palms and everything was neat and tidy and well presented. The concrete driveway had no curb or gutter and the units were in need of some minor repairs and could have benefited from some renovation as well.

When I originally looked at it, the rents were $130, $135 and $165 a week respectively. The gardener lived in Unit 1 and as he maintained the property he had a cheaper rent. Both he and the tenant in Unit 2 were on periodic leases (month to month). They hadn't had a rent increase for a long time, which is why their units were under-rented. The tenant in Unit 3 was on a lease, which was due to expire in the February.

My contract was dated September 3 and on September 5 I paid a $5,000 deposit, which was a condition of the contract. When it comes to settlement terms, I prefer a long contract term (unless something in my strategy says I need a quick settlement) because come the day I own it, I can put it straight back on the market again with everything needed doing already completed. Furthermore, with strata titling it's really good to have the additional settlement time.

Wherever possible, I have it stipulated in my contract that I have access to the property after the contract goes unconditional. This is for works that may need doing, or for project paperwork, such as council requirements.

The risk to me on this is that if anything happens, the seller gets whatever alterations I may have completed. This is attractive to the seller because if the contract falls over, they have suddenly got more money invested in the property that they have not had to contribute themselves. Of course, the downside to me is that if I did decide not to proceed with a contract, the funds I have already contributed would be money down the tube.

In this case I settled on the property on the 31st October, which was not a particularly long settlement. It was listed for $450,000 and after negotiation I purchased it for $425,000.

In respect to the costs of the project, here is a summary.

Closing costs (stamp duty and legal fees) were approximately $18,000.

I also borrowed money from the bank, so I had bank fees and bank interest to consider which amounted to $16,301.

I had a money partner, to whom I paid interest of $8,224 during the length of the project.

Other costs included rates and insurance.

There were strata title costs involved and in my case the council required me to fence the units off from each other and from the neighbours. This meant I had to put a five-foot paling fence all the way around, with each unit also requiring individual yards. Also, the council required me to extend the driveway out to the street, so there was some concreting to do as well.

And finally, I had to employ a surveyor to draw up plans and to survey the project, and pay fees to council to request the change in title.

My total costs to strata title were around $18,891.

Since this was an older set of units, I also had some ongoing repairs. At the end of the day, the grand total was $504,807 including the actual purchase and associated costs.

Purchase Price:	$ 425,000
Closing Costs:	$ 18,000
Total	**$ 443,000**
Other Costs:	
Bank	$ 16,301
Money Partner	$ 8,224
Rates, Insurance	$ 3,650
Strata Title	
(incl fencing / drive)	$ 18,891
Miscellaneous	
(repairs etc)	$ 14,741
Total	$ 61,807
Grand Total	**$ 504,807**

I financed with the bank for 70% of its value, or $297,000. My money partner contributed $100,000 and I put in $107,807 cash.

My strategy was to increase the rents where possible. The periodic leases could be increased with the required two months' notice. As a condition of the contract I stipulated that once I went unconditional, the tenants would be given notice of a rent increase, so that even though the rent increase didn't take place as soon as I bought it, it took place not too long after. I gave the tenant in Unit 3 notice in December that his rent was going up at the end of his lease. Once you go unconditional, there are a lot of things you can do because technically, you own the property; you just haven't paid for it yet.

My strategy was that, when I came to sell after six months of ownership, all the units would be rented for $170 a week.

I started work on the strata titling whilst it was still under contract because that can lengthen out time wise. With strata titling of units, there are requirements. Check with your local Council to ensure that the unit will comply and meet their requirements BEFORE you purchase.

I hired a surveyor who went out and surveyed the land. I hired a body corporate manager, who drew up a body corporate management scheme. When I'm setting up a body corporate, I try to be as generous as I can with the people who are going to be paying the fees; I always stress that I want my body corporate schemes to be as basic, simple and cheap as possible. It really does depend, though, on what the body corporate has to take care of regarding how expensive the fees are going to be, but I have seen cases where body corporate fees just go up and up and up, and not in relation to what's there. If all that is required is to maintain a yard and perhaps to plant a few plants or repair a fence down the years, they don't need to be exorbitant.

When I'm doing strata title, I usually get someone who's qualified to tell me if my plans satisfy the building code. I also get the surveyor to tell me if it satisfies the surveying and zoning codes. Once those two marry up, then it is basically just a matter of lodging it.

Once I had the strata titling out of council, I had to register the individual units with the titles office. My solicitor took care of that. It only took him about ten minutes to do, it was that simple.

As soon as I knew that my strata titling was under way and I could proceed with it, I put the property back on the market with the view to selling subject to registration and strata title. I wanted that property advertised as soon as possible because I wanted it sold as soon as possible.

To recap - I bought it at the end of October, so I didn't start paying holding costs for it until the end of October. I had the rents coming in, which helped cover the costs.

I sold it on 18 April to someone who bought the whole lot.

The first offer I received was for $520,000 and I said go away. He came back with $583,500. This I accepted. My selling costs amounted to $16,541.

I received $10,711 in rent during the period of ownership. I put in $107,807 of my own money and in 5½ months I walked away with $180,670. This was a profit of $72,863, which is a 67.5% return on the cash I put in.

Here's a quick summary of the transaction:

Sale Price:	$ 583,500
Less Selling Costs	$ 16,541
Less Purchase Costs	$ 443,000
Less Project & Holding Costs	$ 61,807
Plus Rent	$ 10,711
Total Profit	**$ 72,863**
My cash in:	$ 107,807
My cash out:	$ 180,670

Please understand that whilst it looks amazing that I received a 67.5% return on cash, the actual return on the deal was around 14.25%. To me, this is a bit low, and I would strongly encourage you to think carefully about a project with this type of return - your profits could very easily be eaten up by prolonged settlement periods, changes in the market or unexpected costs.

The biggest bonus of this type of project is the physical time spent. All up, the whole deal from start to finish including finding it, research, inspections, travel (it was a flight plus 50 minute drive), accommodation, hiring of experts, undertaking required works – everything – took less than 40 hours of my time.

CHAPTER 10

Subdivision

Subdivision is another great strategy for generating 'chunks' of cash, and it is a relatively easy one to do, especially when doing one lot into two lots.

Even though it is generally simple to work through, there are some important things you need to bear in mind. For starters, you will be dealing with your local authority on this, and as such, there are a whole raft of rules and regulations that will govern what you can, and cannot, do. Make sure you do your homework well; seek professional advice along the way and follow the rules to the letter. If you don't, you will learn the hard way and it won't be cheap. We have seen investors make costly mistakes here, particularly if their subdivision involves some renovations as well. You may have to tear down your renovations and return the property to its former glory.

So, exactly what does subdivision involve?

Generally speaking, this strategy involves buying a property on a fairly large block of land (say 800 square metres or more), then subdividing the block into two (or more) individual lots, each of which will have an individual dwelling of some sort built on it. You could subdivide and sell, with the new owners being responsible for erecting or building their own dwellings on their respective lots or you could do the building and then sell once that is complete.

Subdivision is also known as reconfiguring a lot. Sometimes this strategy is used to actually combine a few lots together into a larger one. It could also involve rearranging the boundaries of existing lots or creating easements. However, this is not as common as creating two or more lots from one original block of land.

This is a complex subject and there are a number of different types of subdivision. For instance, Torrens Title subdivision (the creation of new lots from an existing lot), Strata Title subdivision (used with apartments), Boundary Adjustments (realigning the boundaries of a lot), Site Consolidations (amalgamating two or more lots into one) and Stratum subdivision (dividing a building up according to levels, for instance the ground floor retail level is subdivided from the remaining residential areas of a high rise building).

Advantages

The main advantage gained by subdividing a block of land is that you can generally earn more money selling multiple lots than you can by selling one larger block. This is particularly so when you have changed the use of the block. In most cases the larger block may have one large, older style dwelling on it, which means it would have housed one family. But things have changed and the average family often doesn't want or need a large garden or back yard, which tend to be high maintenance. They are after something more suited to modern lifestyles, so smaller lots are better. If you subdivide the block into two or more smaller lots, each with a modern dwelling on it, you immediately appeal to two or more families (or buyers) where previously you only would have appealed to only one.

By subdividing, you increase the size of the market you are aiming for when it comes time to sell. This brings with it the potential to increase your level of sales without increasing your activity: you typically would list the properties with the same agent as this leverages their marketing activity. For instance, you only develop one advertising strategy, hold joint open days, target the market with a concentrated effort and have more than one property to show potential buyers, thus increasing your chances of a sale.

Subdividing can provide economies of scale too. For instance, you often only need to build one driveway to service both lots instead of two, as you would if you were developing two individual blocks of land. A common water supply and sewerage systems is also possible, depending on how you go about developing the individual lots.

Leverage is another advantage of this strategy because you get to mirror what you do for the one lot across the others. By this we mean you engage one surveyor, who repeats what he does for all the lots, your solicitor does the same thing more than once, which makes it easier and less time consuming, your real estate agent duplicates the process of listing, advertising and selling, and so it goes. What you do for the one lot, you replicate for the others. Rolling out your plans this way not only makes a lot of sense for any busy person, it saves money too.

Disadvantages

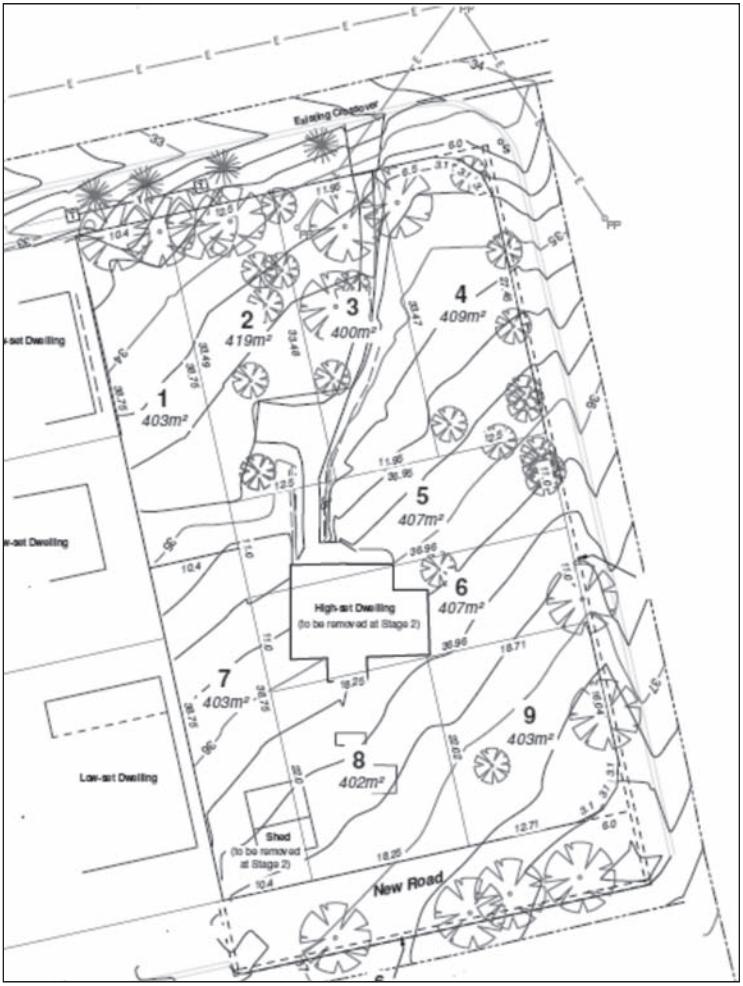
Subdividing does bring certain disadvantages with it. For starters, it isn't something for the faint hearted simply because the numbers tend to be larger (e.g. bigger purchase price, bigger deposits and bank loans, bigger holding costs, more agent commissions and legal costs, to say the least). Of course, this often means that so too is the amount you stand to gain.

This strategy requires you to keep a very close eye on council requirements. To make matters a little more difficult, you need to bear in mind that the rules governing what you can and cannot do can change from suburb to suburb, not just from one council area to another. Inner city areas may have different requirements from suburbs on the outer fringes of the city. For example, subdividing acreage is very different compared to an inner city block, even though they might be in the same municipal area.

The costs of subdividing a block of land may be more than you bargained for, especially if you have to provide separate facilities for water, sewerage, electricity, storm water drainage or driveway access. There are often unexpected costs, such as civic works or tree removal. These can blow your budget, and diminish your profits, very quickly, so be aware and always have a contingency.

You may also have a loss of rental income from the property while you are subdividing and developing it into multiple dwellings.

Nhan's Real Life Example



Nhan's One into Nine Lot Subdivision

This deal was one I found by accident, while researching another deal I had been working on. I found it on the internet and noticed something dramatic about it – it was a good sized block of land of 4000 square metres, with a house smack bang in the middle. Not only that, it had three street frontages. That means it had existing roads on three of the four sides. What did that mean? Opportunity!!! And lots of it.

What it really meant was possibly being able to subdivide the blocks that faced the road without having to build any additional roads (bitumen and kerb and channel are very expensive). This represented a massive saving in costs and maximisation of what was an under-utilised site.

The block was quite flat, didn't flood, was high on the hill, and very close to amenities (Aldi Supermarket, Bunnings, McDonalds, Golf Course, bus stops).

The key to recognizing that this was a deal and an opportunity, came from many factors, a few of which were:

1. Being an area expert. Between the ages of six and eleven I caught the bus every afternoon to this area. My grandparents lived one street over, and since their passing, my parents live there. So for 27 years I have (unknowingly) studied the area and seen its changes and growth.

2. Seeing the opportunity. Not many people can see the opportunities that are often in front of their eyes. Either that or they don't have the drive, energy or ambition to seize the opportunity. Then there's some that "try" but don't have the skills, training, resources or team to be able to take on this opportunity.

3. Seizing the opportunity without hesitation. Within one hour of seeing the deal on the internet I had submitted a written offer. Two offers actually, one offer that was for a 25% discount with a quick settlement, and an alternative offer that was close to the asking price, with a long settlement (12 months subject to council approval). It actually took one month in total of negotiation, with another party also trying to buy the property, but I got the deal in the end.

4. Longer settlement. I was able to secure a longer settlement (six months), with the contract being subject to due diligence for four months, giving me the right to obtain a development approval in the meantime.

The Numbers (approximate):

Land Purchase Price:	$ 835,000
Development Costs/Stamp Duties/ Legals/Holding Costs/GST/Council Fees/ Consultants:	$ 700,000
Total Costs	**$ 1,535,000**
Projected Sales of 9 lots @ $235,000 per lot	$ 2,115,000
Projected Net Profit Before Tax:	**$ 580,000**

The return on this deal is approximately 37%.

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CHAPTER 11

Development

As the name suggests, this strategy is all about doing some sort of development to the land or building – essentially, that's it in a nutshell. However, as you probably already know, there is a lot more to it than that. But first, let us start by telling you why we love this strategy.

For us both, the really big thing that we are passionate about is creating something out of nothing; or creating something out of a mess. You know what we mean - taking an old, derelict house and turning it into something that's livable and warm; putting that stamp on it that makes it a home.

When we are doing property, the thing that really feeds us - that gets us going - is the creation of something where someone can live and be very comfortable and happy. Now, we also enjoy meeting the architects and all that type of thing, but it's the creativity that we really enjoy. We love choosing the colors, choosing what to put in the properties, working out how it will all go together; the design, the layout, the plants, the gardens; all those things that make it really appealing to someone.

Subdivision is another form of development.

Developing is where you can really make some money; that's the reality of it. It is also where you can really burn a lot of money; no doubt you have heard plenty of 'war' stories over the years from those who have lost a lot when something has gone wrong.

Development can be a lengthy process; the shortest period you are ever going to complete a development in is six months. It can take you up to two years, even more. Some developments can even take five, but hey, we're not building Q1 down at the Gold Coast, are we?!

We think you get the idea – it is a very lengthy process. The first thing to consider is that you need to be very, very careful with your figures because a lot can happen in two years. With all developments, there's a step-by-step process that you need to follow. Just to complete the first step alone can take up to twelve months or more.

So, where do you start? How do you identify a possible project for development? The first thing that you need to know is the council zoning relevant to your chosen area. Zoning generally has its own terminology, which can change from council to council. There are a couple of ways of finding this information out; you can go to council, or you can talk to a town planner.

You also need to research future selling prices for the area you are interested in; you don't want to over-capitalise – that is, spend too much building your property - and find your selling price is far too high for the target market, and area, that you've chosen.

The site itself is a huge factor to consider – is the block flat? Steep? Sloped? Bear in mind that you may have to fill land. You may have to compact land. You may have to take dirt out. You may have to do a myriad of other things to ensure that you are able to build on the land at all. This can become a very, very, very expensive exercise and one that you might not even be aware of. So just be aware of what you don't know; learn what you do need to know; and most of all, crunch your numbers.

The next thing to take into consideration is what is known as 'head works'. Now, this is something that the council charges for sewer and water and the fees can be astronomical. Costs can range from $5,000 to $30,000 per dwelling or lot, so you need to be very, very careful.

The other aspect you will need to research are builders. Find a builder that is highly experienced so you can access their knowledge; you don't want them playing games, or learning, with your projects.

Things to consider; will you need to be responsible for the footpaths, driveways, curbs and channels (i.e. new gutters). Then, there's the landscaping for your project. When you provide your final 'drawings' to council for approval, most often you'll be required to provide a landscape plan as well - and follow it to the letter. This can be expensive, and that's just the plan. You still have to provide and plant the plan!

One of the things you need to be aware of is your soil. You will need to have the soil tested in accordance with the engineering requirements for your development.

Another important element of any development project is your team. We have found we need the following people on our team whenever we are contemplating a development project: an architect, an engineer (structural, mechanical, electrical, water, sewer, geotech), a surveyor, landscape designer, a solicitor, a real estate agent, a finance broker, a marketing agent, a body corporate manager, a quantity surveyor, a builder and a building certifier. There are others, but these are the main ones.

With any development, there are basically three steps to the process. The first is your DA, or Development Application. This step obviously comes after you have done all your research and decided to proceed with the project.

The next step is the BA process, or Building Application process, which gives you approval to build.

At this point in time, you can usually ‘go to market’ – that is, advertise your property for sale ‘off the plan’ - with pre-sales material, particularly if you have got a good solicitor who can write up your contracts. If you can secure any pre-sales on your development, you will finance your project a lot easier.

If you are really interested in this strategy, but would prefer not to go through the process of DA and/or BA, here is another option. There are plenty of projects for sale with a DA and/or BA already completed. Purchasing one of these means you can skip one or both steps. Just remember that you will be paying a premium for the project which will include the work that has already been done.

Advantages

The main advantage of this strategy is that there is potentially a lot of money to be made. In addition, the competition you will face in acquiring land to develop will be less, as most investors don't want to take on projects of this magnitude.

Your main role in developing blocks of land is project management. You don't have to do everything yourself as you typically do with the more traditional types of real estate investing. The key is putting together a good team whom you can rely upon.

Successfully developing a block of land into something that is commercially successful is enormously satisfying.

Disadvantages

The high costs involved can be a huge deterrent to all but the most serious of investors. Long project time-lines also make it difficult to foresee everything that can go wrong and add to anticipated financial outlays. Predicting market conditions years into the future can also be a major challenge, so the emphasis has to be on solid research and the selection of the best team possible. As with everything in real estate, it pays to buy well. There is much that can change during the course of a development project and this can have drastic effects on even the best-laid plans.

Nhan's Real Life Example

It is funny, out of the last four deals I have bought, three of them were found by accident. I didn't find them intentionally, maybe they found me, maybe I was ready, I don't really know.

This particular deal I found as I was driving around a suburb. What I didn't know was that it had a particular zoning in about half the suburb. The zoning was LMR (which stands for low-medium residential) and this zoning allowed me to build Multi-Unit dwellings, or more than one dwelling per site. I believe that the zoning had come through during the GFC in 2008/2009 and no one had really paid attention because of what was going on. Also, I believe developers were not interested in building units or townhouses in this suburb because it had lots of industrial property as well as housing commission.

What I saw was that this suburb was only 13km from CBD, was two suburbs from a university, two suburbs away from a prominent Chinese community, and $500,000 sale prices were quite common. Not only that, this suburb already had a McDonalds and Bunnings just five minutes away, so people would be inclined to live there for sure!!!

Prior to this I had been looking for quite some time in various suburbs known for having this zoning, with little success. An agent told me about a house with LMR zoning for $350,000 which was about to be repossessed. I had serious reservations because it sounded too cheap with that zoning. I drove by to have a look and concluded that, for the end values, relative to the development costs, it was actually too expensive, with very little profit.

The upside, however, was that driving to look at this property, there were other properties nearby that were for sale. That is how I found this deal - by driving around and ringing the number on every For Sale sign I saw. I found out this three bedroom property on 607sqm land on the market for $272,000.

I offered about $238,000 to start with, looking for a bargain, and got nowhere. After months of negotiation, I ended up paying close to asking price, but with one difference – a long contract where I had the owner's consent to get a development application in the first 45 days, with settlement to be soon after. I knew that if I could get additional dwellings on the site, there was money to be made.

Using an accelerated application process, it took me 20 days to get an approval through (60 days initially to iron out the design issues ready to lodge it with council, then another 60 days for it to be approved). Fortunately, the owners wanted to stay in the property for another few weeks as they hadn't found a place to buy and move into. That meant that instead of settling in 90 days, I settled in 150 days.

With this property I admit that before I actually secured it, it took me months to figure out what the upside actually was. Even though it was zoned LMR, I couldn't initially figure out what to develop there, due to the fact that it had a truncation off one corner of the block, making it an odd shape block to build on.

Once the property was secured, the site was surveyed. Consulting with the architect, we went down the path of "let's see what we can fit into the back yard".

Remember, it was a 607sqm site with an existing house on it. With six metres of access on one side and three metres on the other, I knew that we could park cars next to the existing house, and that we didn't need an access driveway to the rear. This gave us the majority of the back yard to work with (and boy, did we need it).

After a few days we figured we had about a 145 square metre footprint to play with.

Having just renovated our own residence and being disgusted with the costs of building a two story extension, I decided to build single story. I had previously built many 4 bedroom; 2 bathroom; 2 car garage houses in the past, so the 145 square metres of area quickly translated into two x 2 bedroom; 2 bathroom dwellings.

As much as the process of development is a profit making exercise, I truly enjoyed the design and problem solving aspect of this project and turning an "ugly duckling" into a true princess that will be positively geared should we choose to hold onto it.

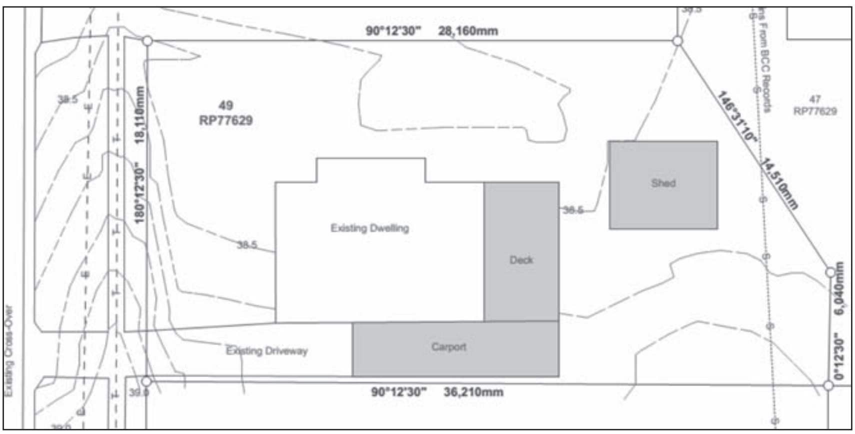
Here are the basic figures:

Purchase price	\$270,000
Build Cost 2 x 2bed/2bath Lowset	\$253,000
Renovations – Existing House	\$ 20,000

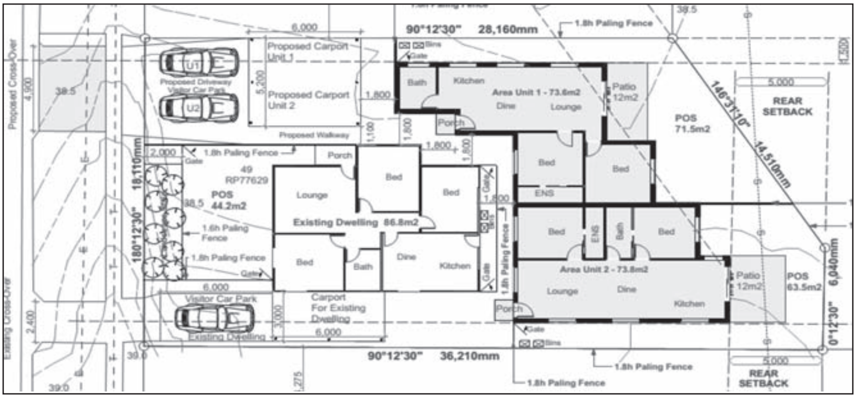
Miscellaneous Costs Including
Holding Costs, Council Contributions,
GST and Agents Commission

	$ 127,000
Approx Total Costs	**$670,000**
Approx End Sale Value	$ 750,000 to $810,000
Anticipated Net Profit	**$ 80,000 to $140,000**

If we choose to hold it, our bank debt will be ~$500,000 with approximately $50,000 rent coming in annually ($330 pw x 3 dwellings), which will make it positively cashflowed.



Site Survey With Existing House with Deck and Shed to be demolished.



Approved site plan with two x two bed / two bath lowset rear

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CHAPTER 12

Retirement / Lifestyle Villages

Now here's a strategy that's definitely not on most property investor's radar. But, if you are after making serious money from your investments - and who isn't - this one may just be for you.

This could be something most investors have never considered. Additionally, competition for properties in this category is unlikely to be artificially inflated from a price perspective. It is a strategy that a lot of people just do not think about at all, but it is nevertheless a very, very, lucrative one. We believe that most property investors will get to appreciate it more as our population becomes older, and as we see far more over-50s lifestyle villages and retirement villages becoming more main stream.

Perhaps one of the reasons this strategy isn't more widely known or understood today is because traditionally, caring for the aged was taken care of by not-for-profit groups. Organisations like the church, the government and other community-based or focused groups used to run retirement homes as a service to the population. However, these days the government has changed direction and encouraged the private sector to become involved. We believe this was due largely to the predicted size of the so-called 'grey' population, which governments all over the world are realising will become too large for the tax-paying public to support.

The ageing Baby Boomer segment of our population has seen not only a massive shift in thinking; it has brought with it a change in opportunities for real estate investors. In the US there are entire towns for the over 55s and this segment of the property market is booming.

Investing in retirement homes or villages is great if you can afford to break into this segment of the market. They make wonderful long-term investments because a retirement village is generally owned by a trust, which then on-sells the individual houses, villas or units to retirees. Then, when the retiree passes on or moves away, their house, villa or unit becomes the property of the retirement village once again, with the resident (or their estate) receiving a small amount of their initial investment back. Also, during the time that those people live there, they pay a maintenance fee for the grounds and the building. These are great benefits for the owners of retirement villages.

Advantages

If you are after a steady income from your investment as opposed to long-term growth, then this strategy should excite you. What's more, to make this even better, retirement villages get to increase their rents twice a year in accordance with the biannual increase in government pensions. So with retirement villages, the net yield you can expect will be high.

You can either rent out units, or sell units. Should you choose the sale option, as each owner has no further need for the unit (perhaps by moving on or passing away) the unit is moved back into your possession, for a much lower price than originally paid for. At this point you can renovate to a high standard, then onsell the unit again. In addition, owners pay a body corporate type fee, so the maintenance of the complex is paid for and can be maintained to a good standard.

Furthermore, from an investment point-of-view, they offer excellent depreciation benefits. You see, in addition to the normal depreciation items like furniture, the furnished community complex depreciation is passed back to the owners of the units.

This is definitely a strategy for investors who want to put additional equity into their investments.

Disadvantages

This strategy can be difficult to finance. The main reason for this is that the banks tend to class retirement living the same as serviced apartments, which they tend to avoid. To make matters worse, the mortgage insurance industry aren't keen on them either, largely due to their specialised nature.

These hurdles can make your investment in this segment of the market less liquid than you might like. Put simply, retirement units can be difficult to on-sell. As you may have realised, on-selling them when a resident moves out or passes away is where the money is because traditionally, many retirement villages have tended to rely on turnover. Of course, this depends on how you structure and manage your retirement complex. It also depends on the quality of your management team who run the complex. Good management teams will work wonders for you while mediocre or poor ones will not only cost you money, they may sink your investment.

Jennie's Real Life Example

Understand this: you don't have to have a big 300-villa retirement village to get into the retirement living segment of the investment market. I've got a friend who has a very small, boutique retirement village situated on a small acreage in New South Wales. He is doing really well from it. He tells me he is in it because of the regular income he gets every week. For him it's all about cash flow.

He keeps his units very well maintained, and when the people eventually move on, he gets the properties back after paying them out a small amount. Then he takes the opportunity to renovate them before advertising them for sale once more.

Generally, all his units are well kept and well maintained because his residents pay him a regular fee to maintain them. This allows him to sell for a good profit when the time comes.

CHAPTER 13

Options

The next strategy we want to introduce you to is using options to purchase property. Now, options are something that are not really talked about a lot, but are a whole industry on their own. This is a strategy that we have used successfully in the past, and is one Nhan in particular uses a lot. Become familiar with it because you never know when it will come in handy for you.

Because people don't understand options very well, it can be difficult to go out and negotiate an option with someone who is selling their property. So then, what is an option and how can it benefit you as a real estate investor?

Basically, if one of us would like to buy your property, but don't want to buy it right now, we can purchase the right (or the option) to purchase it from you, for an agreed price, sometime in the future. It can be summarized as:

"The Right But Not The Obligation"

Of course, this is a legally binding agreement, which can become complicated. For instance, both parties may have the right to call in the option. But generally speaking, you pay a very small fee to have an option on a property. It might be as little as a dollar while some people pay $1,000 for the right to have first right of refusal over a property.

Options are a great way to purchase a property. Let us explain why.

Let's say you've come across a piece of ground that you believe is perfect for development. What could you do?

Well, you could take the plunge and purchase it in the usual way, or you could take out an option on it. Let's assume you've decided to use the option strategy.

Once you have secured an option on the property, you can begin the lengthy process of beginning work on the development; getting your development application completed and submitted for approval without outlaying any money at all (except for what you need to spend on the DA). Remember, you haven't had to actually purchase the property; you've just secured the option to buy the property.

But there's another reason we like this strategy. You see, you can even sell your option to someone else and make money on it. It's also a good strategy if you've got a property in an area that is developable and you want to sit on it for the time being, and perhaps purchase the surrounding properties because obviously the more land you can get, the more development opportunity you have.

For example, you might purchase a property zoned for development, and you know the house next door as well as the houses behind that also form part of the area that is developable. It would make sense for you to buy them too. However, if you are not ready to buy just yet, you could approach them and take out an option, paying $1,000 for the privilege of having first right of refusal to buy their house at some time in the future.

This is how a lot of developers actually gather property over time. You will see them just sitting on one or two blocks until the neighbours decide they want to move out. As the neighbours' see other people selling to developers, they might decide they don't want to live in an area that's being developed. The mere act of holding a few blocks of land may influence the homeowners to sell out as well.

Can you see why we think options are a very good strategy? Why it is a really good way to make money? Many people have used this strategy effectively; it has been a great strategy in the past and our view is that it will continue to be a good strategy in the future.

Advantages

The main advantage in going down the options route is that you get the benefit of having bought a property without having to fork out large amounts of money for it. This isn't a substitute for money, of course; it is merely a tactic that allows you to leverage your funds more productively until such time as you are in a better position to complete the purchase. It also secures the property for you and ensures others don't snatch it from under your nose.

Having an option on a property also gives you choices. You can decide to sell the option should a better offer come along, or you decide not to proceed with your original plans for the property. This is a great advantage for investors. You know exactly what the cost is and you've got time to do what you want to do without having to pay interest or holding costs.

Disadvantages

One of the main disadvantages is having your option called up if you are not ready for it. This could mean being forced to proceed with the purchase, or losing the amount you put down to secure the option.

You could have to wait an exceedingly long period of time until the owner of your optioned property is ready to sell. By the time he or she does, your plans may have changed significantly. You need to be sure about the wording of any options contract and exactly what the clauses stipulate. It is best to get expert legal advice when drawing up an options contract, and this can be costly.

Some people often freak out when the word *option* is raised. Suppose you approached Mrs Smith, the 68-year old lady down the road whose son is a solicitor and he doesn't like options; then there is not much chance of using this strategy.

We know people who only use options as a strategy. They go and find a block of land, they put an option on it, they get the DA, they on-sell it, and most of the time all they have done is pay for DA costs, which could be quite small in comparison to the cost of a normal project.

It is a great strategy, but you do have to overcome the fear and lack of knowledge that the normal everyday person on the street has about it. This is particularly so with the elderly. A lot of options are put on their older properties as they are usually sited on larger parcels of land.

Another negative that you need to be aware of is that a lot of solicitors hate them with a vengeance. They will make life as difficult as possible for you and ask for unnecessary additions to the agreement, which will affect your costs. Remember, because you pay for the option contract, your costs can skyrocket. So be aware of that.

Also, be aware that if property prices fall during the period of your option, you may be paying a premium price and this could really affect your profitability. In this instance, losing your option fee may be the best thing that happens to you, rather than buy an overpriced property, tie up your capital, create unnecessary holding costs and lose much more than your option fee.

Jennie's Real Life Example

Here is an example of how this can work. A client of mine found a block that was developable. After his due diligence, he worked out that there was potential for up to five units to be developed on the block at a cost of around $500,000. Rather than purchase the property outright and incur holding costs amongst other things, he decided to put an option on it, which cost him $1,000. The option lasted for 12 months.

Once he had the option, he proceeded to employ his 'team' of experts to obtain a DA; once this had been finalized, he then advertised the property for $700,000. By that time, the property had cost him $100,000, most of which went into the development application.

It wasn't long before his real estate agent found a prospective buyer who was eagerly looking for a project that already had the 'hard yards' done, with an existing DA in place. After negotiation, the prospective buyers purchased the DA and the option from him, and from there they proceeded to purchase the property and commence building. All in all, it was a win-win situation for all involved.

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CHAPTER 14

Leasehold

This is another interesting strategy for making money quickly from investing in real estate, however it is not that common; the vast majority of investors either don't know anything about it, or they choose not to include it in their tool kit of strategies.

Before we get into the nitty gritty of what this strategy offers the investor, let's take a closer look at just what leasehold is.

Leasehold is a very old concept that can be traced back to feudal times in England. In those days, landlords (now there's another ancient term that you will be familiar with) owned the land but the peasants worked it. They would be granted leasehold, which meant they had a right to work it for a certain period of time. This concept has worked its way down through the ages and we now find it in our legal system.

In a nutshell, the freeholder owns the land and the leaseholder is guaranteed possession of it for a fixed period of time, for which he or she pays by means of what is called ground rent.

Unlike tenancy agreements or rental agreements, leasehold is typically for long periods of time. Leaseholds typically run for 99 years, but they can run for several hundred.

The holders of leasehold can sell to someone else, but if this is done, it must be transferred with all the existing terms. These terms can, however, be altered, lengthened or renewed in consultation with the freeholder, but they are not automatically renewed; they need to be renegotiated.

As with most things legal, there are many different types of leasehold. The most commonly used is what is known as *estate for years,* which is for a fixed end of tenancy. This type will stipulate when the tenancy will end. Then there is the *periodic tenancy*, which can be terminated by the freeholder at any time. *Tenancy at sufferance* is the length of time the renter stays on after the lease has come to an end. Then there is what is known as the *estate at will*, which doesn't specify an ending date or a defined periodic tenancy.

The important thing to remember with leasehold is that this gives a certain amount of ownership of the property to the tenant.

Leasehold is not so common when it comes to houses; it is more the norm with flats and apartments. In Canberra, however, leasehold land tenure is the norm; it is the only city in Australia that has gone down this route. There, the leasehold system was chosen because it allowed the early planners to ensure that the city developed in a structured way. We understand that there are no plans in the pipeline to change this.

Advantages

There are many advantages, both for the property investor as well as for the tenant. Let's start by looking at it from the tenant's perspective, shall we?

Firstly, because leasehold involves the long-term occupancy of the property, the tenant feels more secure, not only because they have a guaranteed long-term right to occupy the property but also because the owner (or freeholder) has a vested financial interest in maintaining the property. This means the owner is almost obliged to keep supplying high standards of service and facilities to keep the leaseholder happy. It becomes self-serving in that it's a win-win situation. This also means that continuity of management is assured.

For the owner, it means that he or she also has the luxury of knowing that they have long-term tenants in their property. They know with certainty that all the maintenance costs associated with anything inside the property will be looked after by the tenant and that they won't have to factor in vacancy periods, which can be expensive.

The costs involved in leasehold are generally less, resulting in lower management costs for tenants as well. Furthermore, in some states, there is no stamp duty payable, resulting in considerable savings.

Disadvantages

Perhaps the major disadvantage of leasehold is that once someone has leasehold, they are entitled to stay in the property for the length of the leasehold. It also means that, as the freeholder, you cannot do anything with the actual residence. You cannot make alterations, additions or even turn up for inspections without the consent of the leaseholder. Remember, the leaseholder is considered to be the 'owner' of the property (but not the land) during the term of the leasehold.

CHAPTER 15

Wraps

This is a strategy that may, or may not, appeal to you for various reasons. It can be quite controversial and it certainly has had its fair share of bad press. But like anything, it all depends on how you use the strategy. Think of it this way: just because some people drive like maniacs and kill themselves in horrific crashes, this doesn't make the motorcar a bad thing. It is how it is used that makes all the difference.

The same is true with wraps.

So what exactly is a wrap and what is all the fuss about?

A wrap is just another term for vendor finance. But there are some interesting variations of it. In fact, leasehold and rent to buy can be thought of as just a variation of a wrap.

In general terms, wraps work this way: an investor advertises for someone who wants to own their own property but who, for various reasons, cannot afford a property just at the moment. It could be because they don't have a clean credit record or because they don't have a big enough deposit. We have also come across people who are recently divorced and have had to split up their assets as part of the divorce settlement. Other people who may be interested in purchasing under these circumstances are self-employed people who are viewed as high risk under bank conditions.

This leaves them rather short of funds, even though they may have a high-paying, stable job. The bottom line for them is that although they would otherwise easily qualify for a mortgage, they simply cannot lay their hands on a large enough deposit due to their circumstances. The way we look at situations like this is, should they be penalised and have to start off the new phase in their lives in sub-standard accommodation just because they cannot get a mortgage? We think not.

This is where the real estate investor, who is looking for positive cash flow, can help. What the investor does is source a suitable property, secure a mortgage and then vendor finance the property to the tenant by means of a wrap.

The tenant get a place of their choice, pay rent, which is calculated at a few percentage points more than that of the mortgage, and, after a pre-determined period of time, ownership of the property transfers to the tenant. That's the basics of this strategy.

You could also sell a buyer a property but as part of the terms of sale (to make it more attractive), you lend them some money (for instance to cover the deposit), then they in effect rent the property from you until a point in time when they take ownership. You would in the meantime be making a small portion on the rent as you go. It might be $20 a week or $50 a week. Again, this will produce for you a positive cash flow, but it will be a very, very small return.

So why has this strategy created a lot of fuss in the media? Well, some real estate investors are unscrupulous and have used this strategy to take advantage of vulnerable people. They have made easy money without having any real concern for the welfare of their tenants. You see, in the eyes of the mortgagor (usually the bank) the person responsible for the loan is the investor, not the tenant. If the investor defaults and fails to make mortgage payments, the bank can repossess the property. The tenant, although he may have paid every installment diligently, suddenly finds himself without a place to live and with no equity in the property.

We believe there is a place for this strategy in the market but it all depends on how you use it and what your intentions and motivations are. It's like anything; if it's used well it can produce good results for you but if it is abused, it will be a disaster for all concerned.

Advantages

Real estate investors looking for steady positive cash flow, as well as the good feeling that comes from helping others, may find this strategy serves their purposes well. In addition, if you have a property you are selling but an interested buyer cannot quite meet your price and wants (or needs to) bargain you down, you could use this strategy as a sweetener to get your price. It could be the difference between selling and not selling for difficult to sell properties as it could attract interest from first home buyers who otherwise would be unable to enter the home owners market.

Disadvantages

Because the amount you are likely to receive each week from this strategy is likely to be very small, your return can get eaten up very quickly, especially if there's a change in the market. If the property doesn't value up at the end of the period, then you could end up with a bit of a lemon.

There are strict legal requirements for this strategy, so make sure that you get good legal advice, and that you stay within the law at all times.

CHAPTER 16

Flips

A flip is a strategy that allows you to make quick and easy money – if you know what you are doing and plan carefully.

So, what then is a flip and how can it be used effectively to generate money quickly?

The essence of a flip is when you sign a contract to buy a property, and then on-sell your interest in it to someone else before the property settles. You are flipping the property to someone else before you have to pay for the property and become its new owner.

Why would you want to do this? Well, there could be all sorts of reasons. For starters, perhaps you just want to make some quick money. It could also be that when you entered into a contract to purchase the property, you had all good intentions of doing so, but since doing that (and before the settlement date) your circumstances suddenly changed, making you no longer able, even though you were legally obliged, to proceed with the purchase. These things do happen.

A flip will allow you to successfully extricate yourself from a situation over which you had no control, and make some money along the way for your efforts.

Will flips work for you all the time? No, of course not. Like with everything else, what you put in determines what you get out. By this we mean your effort, your research and your determination. You see, the real beauty of this strategy is when you come across one of those so-called bargains; you know, the ones that are selling for way under what you believe you could get for it if you were selling it yourself. Now as a serious real estate investor, you will come across these from time to time, simply because you will have developed a good ‘feel’ for a particular area through focus and research.

For a flip to really work, you need to find a property that is, in your opinion, selling for less than it is worth. It could be that the seller just needs a quick sale and is sacrificing a good or fair price for a quick sale - this does happen. It could be as a result of a marriage breakdown or that the owner simply doesn’t know the true worth of the property.

Once you have found a suitable property and put a contract on it, you then need to find someone to flip it to. You may have found that one in a million property to flip, but unless you can find a suitable buyer, this strategy will still flop. If you are serious about using this strategy, then begin developing your contact among investors who may not have the time to research and look for properties in your chosen area.

Advantages

Flips are a great way to generate an income from real estate really quickly and without having to go through the entire, longer-term process of buying and adding value. Just one or two flips every few months can replace an average full-time salary.

Flipping a property can save you if your circumstances change or you realise you made a mistake buying the place in the first place.

Disadvantages

One of the main disadvantages of this strategy is that if you cannot find someone to flip it to before settlement date, you will have to buy it. The other is that there are some costs involved and you do need to take these into account, otherwise the profit you end up making may not be nearly as large as you had planned. These costs could include stamp duty, fees to a real estate, and capital gains tax. These costs will add up to quite a few thousand dollars and, unless factored in, can turn all your hard work and good fortune into dust.

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CHAPTER 17

Splitter Blocks

Some strategies are just made for making money quickly and easily, and this is definitely one of them. Now before we go any further, we want to mention that there really is nothing wrong with making money quickly and easily through real estate. It just matters what your ultimate intentions are when using the strategies.

Some people just do not have the time to build wealth the traditional way. You know, by depositing a regular amount into the bank or their super funds each month and relying on that most wonderful of financial tools—compound interest—to work for them. We are talking predominantly about the Baby Boomers or the over 50s here. They don't have the luxury of time at their disposal like younger investors have. So they need to speed things up a little if they are to reap anything like meaningful financial rewards.

As you will have gathered by now, what we are suggesting in this book are not what some would call 'get rich quick' strategies. We do not agree with practices which seek to enrich some people at the expense of others. These are not what we are advocating.

So what exactly is a splitter block then?

To the best of our knowledge, this strategy with this name is particularly relevant to Brisbane. However, you can use the idea to full advantage in other areas. The term splitter block is widely used in subdivision throughout Australia, however, for the purposes of this explanation we are talking about the Brisbane market and a variation on the term.

A splitter block involves purchasing two or more lots of land, which are on one title but are already subdivided. It is then a very simple matter to register the separate titles, something that you can do when you on sell one of the blocks.

This strategy allows you some leeway in what you can do to maximise the potential to market them. You can, for instance, build on the blocks. You can build on one and not the other. You can sell them as house and land packages and you can sell them ready for development.

Can you see how you can use this strategy to make some money by making use of some of the other strategies in this book? Can you see the potential for combining strategies as you go along? You really can become quite creative when it comes to making quick money from real estate.

If you are doing a splitter block, even though the blocks may be subdivided already, you will often find that the sewer and/or water will only be on one of the lots. They may not even be on the same lot! You may be required to put sewer and/or water to the lot or lots which do not have these facilities. You can go through a process with council where you employ them to do the sewer. There have been rebates available if you get them to do it, which, if it's a basic sewer connection, will well and truly cover your cost.

Just be aware that you can, if you follow the processes, take a few legitimate short cuts, which will save you both time and money. Check with your town planner on what you can and cannot do.

Advantages

The main advantage of this strategy is that it is easy. It can be executed from beginning to end in a very short space of time, as long as you are able to find a splitter block along with prospective buyers. This strategy is common and fairly well understood in the local market, so at least you should not have any negative sentiment to overcome. In fact, most buyers just assume they are buying a normal block of land, which they are.

Another advantage is that often these properties have older homes on them, which can be moved or on-sold for removal.

Disadvantages

With the rise in the value of real estate across the nation over the past decade or so, it is becoming harder to find land to buy. People have realised the value of the land they are sitting on, so this strategy may not be quite as viable as it once was. Also, when the market goes down and land becomes less sought after, there is usually an excess of land looking for buyers, so prices go down. You really do need to be careful with this strategy. Do your due diligence, your research and study the market well.

You also need to be aware of rules and regulations regarding the removal or demolition of property that is currently sitting on the block. Check out things like trees, location of services, heritage or demolition control orders and removal conditions.

Jennie's Real Life Example

I personally have made a lot of money out of this strategy. One of the first projects I completed in Brisbane was three lots on one title. The 'Queenslander' style house on the property was complete with all the fittings Queenslander homes dream of - pressed metal ceilings, vertical joist walls and floors, and ornate cornice. However, someone had bricked up the front of the home and it looked terrible. Fortunately, we were given permission to demolish the house.

I pre-sold one block prior to settling on the property; this simply means that I had a contract of purchase that stated that the sale was subject to my ownership. At the time I bought the three lots, the titles were separated at settlement, and the pre-sold block was also handed over to the new owner. This effectively left me with two blocks, both of which were sold shortly after. The profit in the deal was over $120,000.

To achieve this, all I had to do was organise for demolition, which included permission to demolish. The demolition was undertaken free of charge in exchange for the building items of value such as timber, windows, ceilings, etc. I had to put the property on the market and make a couple of phone calls to coordinate everything with solicitors, banks, agents and the town planner/surveyor to separate the titles.

I have used this strategy a number of times, and profitably!

An aerial view example of one of Jennie's splitter block deals with one house, one title, and two lots.

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CHAPTER 18

Student Accommodation

Australia has a reputation as being a good place to educate young adults. Students come from all over the world to attend university and college here. In fact, according to figures released by the Australian government, as at January 2010 there were 314,799 enrollments by full-fee international students in Australia on student visas. Furthermore, they report that this was an increase of 9%.

All these students need somewhere to live while completing their studies. One choice (presumably the obvious one) would be for them to live in residences on campus, but due to the limited availability of such accommodation, many have no option but to seek rental accommodation in nearby areas.

This has led to the rise of a specialist real estate investment strategy that is cash flow positive by nature and secure in the longer term.

So how does this strategy work?

Basically, you look for a suitable house that is situated conveniently to a university or college with a view to buying it and renting out the rooms to students. One of the characteristics of this property is that it should have lots of rooms that can be rented out as bedrooms. You see, the key to making this strategy work for you is that the more rooms you can rent out, the more rental income you will earn. Another key is to appoint a good property manager who will be responsible for collecting the rent. Or, you could do this yourself!

Let the university or college know that you have accommodation available for their students. There are also many web sites on which you can register your student accommodation. Keeping it tenanted may just be easier, and more lucrative, than you think.

Advantages

If you are after an investment that provides a good, steady positive cash flow as well as high occupancy rates, then this could be the one for you. There is a steady demand for student accommodation in all major cities across the country.

In many instances, you will be dealing with the educational institutions directly, and thus saving on agency fees. Many investors also find that they do not need to employ the services of a property manager as they can get one of the long-term residents to collect the rent in exchange for a reduced rent. In addition, some students are also quite happy to maintain the garden as they quite often are on the lookout for additional pocket money.

Property near universities is always in demand, not only by students looking for convenient accommodation but also by academic staff who want to live close by. The result is often steadily increasing property values, which is music to the ears of any real estate investor. This means that your property could appreciate in value in the longer term and provide a pleasant capital gain when it comes time to sell.

Disadvantages

One of the unique disadvantages of investing in student accommodation is that students tend to have parties. Some get a little out of hand, and your property may get damaged. This is a risk that needs to be factored in when deciding whether this strategy is for you. Of course, it is always advisable to ensure that your property is correctly and adequately, insured.

In addition, make sure that you have clear rules and guidelines for the tenants, and that they are written and agreed to. This will help the tenants to feel more secure about where they are living, and it gives you something to refer to if you have to deal with a situation where the tenant is not respecting your property, rules and the other tenants.

You may have to register your property as a boarding house. This brings with it additional requirements such as fire safety measures, additional bathroom facilities, exclusive private space and other statutory requirements, which may vary from one jurisdiction to another. Furthermore, boarding house owners have additional financial costs which may make their investment borderline or marginal. These costs include high insurance costs, fire compliance costs, council costs for environmental compliance, commercial water, garbage and electricity costs, and management costs.

Check with the relevant local authorities and make sure that you are complying with all their regulations.

Another disadvantage is that often the students return home on breaks and you have limited or no cashflow during that time. Higher rents during the year can compensate for this, but be aware that you need to factor in vacancy rates.

Jennie's Real Life Example

I have a friend who has used this strategy very successfully for years. He purchases houses (near a University) that fit the criteria he has identified for student accommodation. He looks for properties that have the potential to add or convert into more bedrooms and bathrooms. Because he has a number of houses, finding students is easy - they come to him on referral from their friends and other students.

I have yet another friend who also uses this strategy but with a different slant. He rents properties, furnishes them, and then sub-leases them to individual students. He does have to pay the initial rent, so his profit is the difference between the rent he receives and the rent he pays, but it is still profit. If you do use this strategy, ensure that you have the permission of the landlord to sub-lease.

A third example is an acquaintance who owns student accommodation outright – with no money owing to the bank. He has a large number of units on one site. He does really well because he is not having to worry about mortgage payments or rent payments. He does, however, have maintenance costs.

In addition to receiving rent, some of my friends have increased the return they receive on these properties by placing vending machines in the houses. They simply purchase cheap or on sale cans of soft drink, chips, chocolate bars, health bars and so on, and place them in vending machines. They can then price these at vending machine prices, which gives a great profit! They do have to keep an eye on the machines and keep them filled, but it is a quick and easy job, and quite lucrative!

CHAPTER 19

Holiday Accommodation

Now here is a strategy that can give you a tree-change or sea-change lifestyle as well as a good return on investment at the same time.

The past decade has seen a sharp rise in the value of holiday accommodation all over the country. Not only that, but demand for short break stays and weekenders has been music to investors' ears.

So how exactly does this strategy work? Well, it's quite straightforward really. You buy either a house by the sea or an inland holiday spot, or an apartment in a sea-side high rise, or in some other place that appeals to holiday makers, place it with a management company (or real estate agency) and rent it out!

Because of the fluctuations of the holiday market, most investors will consider using this strategy to generate longer term capital gains rather than a regular positive cash flow income. This is simply because of the uncertainties associated with the holiday market. Not only are long weekends and other traditionally recognised holiday periods very fickle and unpredictable, there are so many factors that can have a negative impact on occupancy rates.

Holiday accommodation provides owners with a certain amount of flexibility and benefits but unlike other strategies, it can be restrictive in other areas.

Management is vital to the long-term success of this strategy. Be clear up front what you expect to achieve by investing in this sector of the real estate market and remain realistic. It can be a wonderful strategy if you do your research right and if you have a certain amount of good fortune. There can be nothing more disheartening to miss out on an entire summer holiday because a cyclone swept through the area, keeping holiday makers away.

Advantages

One huge advantage of investing in holiday accommodation is that you can get to stay in your dream sea-side cottage yourself. This could be a good way to minimise any periods when the property is vacant and not bringing in an income.

Flexibility is another plus factor. You can, for instance, let out the property for weekenders and short stay holiday makers or you could aim for the longer-term tenant. Either way you will be seeing income, which in all likelihood will be higher than that produced by an ordinary rental property.

Rents can skyrocket during the peak holiday season. This is particularly so if it happens to coincide with a major (tourist) event such as the Grand Prix, the Australian Open tennis or New Year's Eve fireworks at Sydney Harbour.

Accommodation in close proximity to the sea or with sea views usually commands a premium price, especially during the high season. Those situated in warmer parts of the country will also benefit from year round demand, which can have a massive impact on your bottom line. Country cabins are also in high demand for those escaping city life.

Disadvantages

In most areas of Australia, the holiday period last only for about eight weeks a year. Unless you receive a lot in rent, you are probably going to be hard pressed to make this property pay for itself, unless you rent it out to a longer-term tenant.

The location of your holiday property is crucial. Off the beaten track may be all very romantic, but how large is the potential market for such a holiday?

Another disadvantage is that if you use the home some of the year for your own personal use, come tax time you may need to convince the Tax Office that the property is a genuine investment property. This could make your accounting a little more complex.

Holiday accommodation may be more difficult to sell should you need or want to. Much will depend on the state of the market at the time. You need to realise that your potential market will most probably be substantially smaller than if it were an ordinary investment property because of its location. Many holiday markets are way out of town, down the coast or off the beaten track, making it impractical for tenants or owner-occupiers who work in the city. So unless you happen to find someone who works locally, you might find it challenging finding a buyer or a long-term tenant.

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CHAPTER 20

Commercial

When most people think about investing in real estate, they usually think about buying and renting out homes for tenants to live in. However, there are far more options available to investors than that. Some of those that we've already mentioned may have come as something of a surprise to you and got you thinking.

In commercial property we are dealing with things like shops or shopping centers, retail outlets, factories, industrial sheds - that type of property. Many investors make good money investing in commercial property. We believe one of the reasons most don't give it serious consideration is that they believe it is only for the serious investors - the 'big boys' - as they are the only ones who have the money to dabble in this market. So many people we talk to seem to think that this is such a specialised market that it is only for corporate investors. Nothing could be further from the truth.

It is a specialised market. It is specialised because it is different to 'ordinary' real estate. It is different because you are dealing with a different set of variables. The market is different, the tenant is different and the properties are different. But other than that, real estate is real estate. You just need to get your head around a slightly different notion or concept, that's all.

Let's say for example, you have just bought a brand new commercial property. It is absolutely essential you get it surveyed and then have your accountant prepare a commercial depreciation schedule for you. You need to do this because there are tax advantages you can claim at the beginning of your ownership. The thing to remember here is that when you eventually come to sell, you will have to pay back this amount. So many investors get caught out here and it comes as a huge surprise (sometimes even a shock), so be warned. The upside to this is that this does help your cash flow while you own the property, so it's not all bad news.

You might get a $10,000 deduction on a $100,000 property at the beginning, and this goes down to $8,000 and then to $7,000; basically all your building, your carpets, the fittings and things like that are depreciated over the life of the property. This certainly helps your cash flow from the project at the beginning.

It is things like this that make investing in commercial property a specialised task. Not all estate agents are familiar with this market, so you may have to develop relationships with those who are if this strategy appeals to you.

Advantages

Commercial real estate can have many advantages for investors. Rental returns tend to be higher than for residential property. Furthermore, in a fast growing country like Australia, there is a need for commercial space. Offices in capital cities are often in demand.

As new residential areas are developed to meet the requirements of a growing population, local authorities are keen to establish work opportunities in close proximity to reduce pressure on transport infrastructure. Industrial areas are always planned and built to suit requirements and these produce good opportunities for investors. Local shopping centres are also required in any new area. Self employed people will always need office or retail space close to home.

An important advantage of including commercial real estate in an investment portfolio is the diversity of options it offers. You can buy, gain equity and then sell; you can rent or lease it out for the regular cash flow it offers; or you can run your own business from one of the offices and rent or lease out the remainder.

Commercial property also tends to enjoy longer occupancy rates than residential real estate; lease contracts tend to be for longer periods.

A definite advantage of commercial real estate is that, in most cases, the tenant pays all the outgoings, and is also responsible for upkeep, fit outs, and returning the property at the end of the lease in its original condition. This means that, unlike residential tenancies, most if not all the rent comes into your pocket.

There has to be good reasons why serious investors like Donald Trump invest in commercial real estate.

Disadvantages

There are more rules and regulations governing commercial real estate, and this requires specialist knowledge because these can vary from one jurisdiction to the next.

Commercial tenancies are very different to residential tenants. For starters, they are not living in the property but doing business there. This means that their requirements can vary according to the type of business you are dealing with. A dentist will have quite different needs to that of an accountant. Just about the only similarity between the two could be the reception desk at the front. So while they may both require the same amount of space, there could well be substantial refurbishment of the office space needed to suit them individually.

Another disadvantage of investing in commercial real estate is that very often your property may have a high turnover of tenants, even though it could be occupied for a long period of time overall. Furthermore, your property could be adversely affected through no fault of your own, if four or five businesses in the area were to move out for whatever reason. The area could then begin to feel down-beaten and lose atmosphere, which would have a negative impact on your client, who as a result may also be forced to quit. So, the inconsistencies of business may have an impact on your investment.

Jennie's Real Life Example

My own experience with commercial property is limited. I spent quite a bit of time with a commercial agent learning about it and made the decision that it wasn't for me.

I do, however, have friends who do this strategy very well. In some cases they own smaller industrial sheds or factories, and lease them out. Several of my friends are owners of shopping centres and larger premises.

The biggest advantage of this strategy is that the outgoings are paid predominantly by the tenant, and the rents are generally much higher than residential. The biggest disadvantage I see with it is that if your tenant's business goes under or is suffering, then you do too. Pick your tenants carefully, and choose your commercial buildings carefully.

CHAPTER 21

Off the Plan

Buying off the plan is a popular strategy used by many serious investors when they want to make real money, very quickly, from a real estate investment. It is called buying off the plan because that is exactly what happens.

There is no physical property to inspect when you are out looking. There is usually only a plot of ground where the developer will build the house or unit block, or even subdivide into blocks of land. With units, there are usually a minimum number of units (or apartments) that have to be sold to make the project viable.

The developer would have detailed plans or models of the finished project available for your inspection, as well as brochures, plans and financial projections. There is also usually some flexibility to change the design or fittings should you wish to proceed with the purchase.

When buying off the plan, you would normally be asked to put down a deposit equal to about 10% of the buying price. This allows you to choose the unit you want to buy (if it is a unit in a block), as well as some of the fittings (if there is a choice) as well as making slight changes to the plan to suit your individual circumstances (again, usually as long as the total cost for these changes stays within reasonable bounds financially, or you will be asked to chip in the balance). Of course, extending the size of a unit may not physically be possible due to overall design considerations.

Buying off the plan has become popular in recent years, particularly in fast growing cities where high density living has become the norm. Inner city areas, beachfront strips and high density suburbs are typically where you would look for off the plan apartment opportunities, while new suburbs, future housing estates and growth corridors are where you would find new housing opportunities.

This strategy can offer investors both capital growth and regular cash flow. It can prove lucrative because many tenants like living in a brand new place with all the latest mod cons. It gives them pride and status and in return, they will tend to look after your investment for you. Furthermore, because these homes are usually far more expensive to rent than older ones (due to higher building costs) they attract a better class of tenant.

Off the plan is also a strategy investors use to sell their projects. If you are into developing or interested in subdivision this is a strategy you should definitely consider. It simply means that you pre-sell your blocks or buildings prior to finishing the project. This helps with finance and cashflow.

So, what are the advantages to buying off the plan?

Advantages

Firstly, the property you buy or sell is brand new and therefore has the latest in fittings and fixtures. This also means that it is more attractive to a tenant.

Because everything is new, there will be lower (or non existent) repair bills or maintenance costs, other than body corporate fees if you are buying a unit.

Depending on the market, if you buy in the right area and at the right time, by the time you have to pay for the unit, it will have appreciated sufficiently for you to on sell it at a decent profit. This is because it can typically be up to six months or more from the time you pay your deposit until you need to settle the property and during this time, the market can move up significantly (in a boom market). Even if you decide not to on sell before settlement, you would then enjoy the benefits of being able to revalue your investment straight away, which would bring with it a higher rental as well as some equity. You get to win both ways: capital as well as cash flow.

Disadvantages

One of the main disadvantages of buying off the plan is that you are seldom able to bargain with developers. In most cases, their prices are not flexible. This is because they have fixed building or construction costs that they have to meet as well as a fairly large element of uncertainty that they have to factor in. Costs can move in the months ahead.

Buying off the plan also involves having to fork out a fairly large deposit up front. This money is as good as dead money for months, at least until you are able to tenant the property and begin earning income from it. It is unproductive and could be so for the best part of a year (or however long it takes for the development project to be completed). During this time, you will be required to begin paying off the loan if you borrowed it from a lender.

Developers also usually launch their new projects with much fanfare and hype, so if you are in the market for one and attend an information session, you could end up being swayed by smooth-talking salespeople with very professional presentations. Beware of over-inflated prices with offers of free holidays, cars or other tempting inducements. You will be paying for them in the end. This also should be a warning that what is on offer probably is not worth nearly what they are asking: spruikers have given buying off the plan a bad name over recent years, with many investors finding out the hard way that they were taken for a ride.

Buying off the plan is also a bit like buying a dream. You cannot see what you are buying when you commit to the purchase. All you have to go on are well-produced documentation, smooth talk and professional audio-visual presentations. These can be deceptive.

Developers rely on competition among buyers keen to secure a piece of the action, so be aware that you may very well find you are weighing up your options here based on emotion and not logic. They play on this and use phrases that are designed to increase the level of urgency in making a decision. This is not the best way to invest in real estate.

Just be aware of the process and take everything into consideration before committing.

The last disadvantage, and probably one of the most serious, is that if you purchase off the plan and the market takes a hit, you will be paying an over inflated price for the property, and this could leave you severely financially distressed. Be very wary!

Nhan's Real Life Example

I personally do not like buying off the plan - rarely have I seen it work consistently. I prefer selling off the plan, as most buyers pay retail, and I prefer making a profit upfront then waiting for capital gains. For an investor, or "speculator" in this case, over time the property changes value and, whilst this is great in a rising market, it causes great headaches in a down market. It also can cause contracts to crash and create chaos.

I have seen a number of developers use selling off the plan advantageously, creating a win-win for both themselves and their purchaser. I have, however, also seen developers have multiple dwellings, units or land sit empty for months because they can't sell, and lost lots of money in the meantime. In buying off the plan, with intentions to make a "quick buck" be very careful that you don't over-extend yourself.

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CHAPTER 22

Auction

Not too long ago the usual way most people bought real estate was by private treaty, or negotiation. This meant that you saw a place at an advertised price, you liked it and put in an offer, usually somewhat lower than what the seller wanted. The agent then presented this to the seller, who invariably counter-signed your offer with a price that was somewhere between what was originally asked for and what you offered. This went on until agreement was reached by both parties and a deal was struck.

Real estate agents began to realise that as soon as there was more than one person interested in the property, there would be pressure on potential buyers to offer more than what they would have liked in order to win the deal. They then realised that the best way they could squeeze up the final price agreed upon was to introduce an element of competition into the equation. They began to advocate the auction method as the best way to achieve this as they understood human emotions well. They knew that as soon as there is competition for a particular property, buyers' egos would kick in and prices would go up. This would be good for the seller, and it would be good for them as agents because their selling commissions are based on the selling price. The higher the price they achieved for the seller, the more the seller would pay them in commission.

Over the years, selling by auction has become a way of life in Australia. This is how it works.

An agent lists a property for sale and agrees with the owner that they will put it to auction. The seller then agrees to a marketing plan, which will likely include advertising the property in the local papers and other places, opening it for inspection over a set number of weeks and encouraging interested parties to view it by appointment prior to the auction date.

The auction can either be conducted on site or off site in smart offices or an upmarket conference facility. On site auctions can be problematic in that unwanted distractions such as low flying aircraft or heavy traffic can interfere with the auction process and be off-putting to bidders. However, being on-site can also invite emotion and build up the desire to buy.

During the entire marketing phase, there is no mention made of how much the property will sell for (or how much the owner is looking for) because there is no asking price. This strategy relies on the fact that the market will make up its own mind about what the place is worth. This is very convenient for agents, as it lets them out of having to come up with an accurate evaluation of the property at the time of listing. It excuses them from having to explain to frustrated sellers why the only offers being presented (when using the private treaty sales method) are far short of the asking price.

Open for inspections are held, during which time interested parties have the opportunity of inspecting the property at their leisure. They are encouraged to attend the auction.

When the time for the auction arrives, the agent and the seller hope for a good crowd to attend. The premise is that the bigger the crowd, the better the chances of a sale. However, what really matters is the number of interested and qualified buyers. The auctioneer will ask the seller for a reserve price before proceedings get under way. This is the figure below which the property will not sell. Anything above that, the seller would be delighted.

Now, all the agent is hoping for is three or four genuine bidders; the rest of the crowd just add to the atmosphere and help generate excitement and urgency. The unknown factor (who is waiting for the last minute to enter the bidding process?) is enough to drive the price higher as the emotion and egos take over. Then, as the bidders bid, they become conscious that the eyes of everyone there are watching them. This tends to add to the excitement and their ‘must win’ instincts kick in.

All that is needed at this stage is for two genuine buyers who really want the property and the price will soar. The result is a very happy auctioneer and an even happier seller.

Auctions are probably the ultimate demonstration of the law of supply and demand in action.

Advantages

Most of the advantages of this strategy lie with the seller, so it is a great strategy to use when you sell an investment property. It allows you to go to market without having to peg a price on your property and thereby possibly undermine what it might be worth. This is particularly so for properties in areas you are not so familiar with.

Going to auction can shorten the marketing phase by adding pressure on the market to act. It is also a good way of determining just what a property is worth under existing market conditions.

In a good market, auctions work well. In a market where supply is limited, auctions work well. There are some locations where auctions tend to be the better selling strategy.

Disadvantages

Most serious investors never buy at auction because by buying this way they lose the initiative. They usually cannot conduct pest or building inspections prior to submitting their offer and they run the risk of getting carried away emotionally. Furthermore, at auction, you never really know if there are 'dummy' bidders in the room. These are people who place a bid or two purely to push the price up with no intention of buying the property. One just never knows what you are up against and if you are competing against genuine competition.

If you are selling at auction, one of the biggest disadvantages is the emotional roller coaster you could potentially go on during the auction. Make sure you have strategies in place to handle this.

If you are buying at auction, set yourself a price, and DO NOT go above it.

In the wrong market or location, this selling strategy could really go against you if you are the seller. No bids, or extremely low bids will not help you or your emotions. However, if you are a buyer in this market, buying at auction could work for you in that the seller may decide to sell at a lower price.

Make sure you do your research regardless of whether you are buying or selling.

Auctions rely on a good marketing package, which costs money. Some auctioneers insist on generous advertising packages because having a good crowd on the day is what it is all about.

It is also difficult to buy a property at auction with conditions. It's more like buying unconditionally and that can be risky. Make sure you come prepared.

Jennie's Comments

If I am interested in a property that is going to auction, I prefer to put in an offer pre-auction. This gives me an indication of how flexible people are. When I attend an auction, I always have a limit, and I absolutely do not bid above that. I always wait to see where the bidding goes and I don't engage in bidding wars.

If selling at auction, I am very clear on why I am doing this, and what I want to achieve. I have used auctions several times, and only because of the market I was targeting.

Nhan's Comments

I have attended many auctions in the last few years, not to buy, but to study the market, see what interest people have in the market place, as well as what people are willing to pay.

Personally, I do not like to buy at auction, as it is a very emotional process. I hate having to buy under pressure from competition, which can make buyers (including myself), pay too much. And hence I prefer to sell via auction, not buy, and potentially get top dollar when selling my property.

I have seen people with cash buy properties at auction at significant discounts (when the market is flat) and use the auction process to their advantage. In this instance when there are few bidders ready to buy, a dead atmosphere can be used to the buyer's advantage.

CHAPTER 23

Relocatable Homes

The next 'regular' strategy to making money through investing in real estate that we want to discuss is relocatable homes.

This may not, at first glance, seem a regular strategy to you; it certainly is not one most investors may even have thought about, but that doesn't make it irregular. It is still quite a normal strategy if you think about what it is you are investing in: homes that just happen to be relocatable.

Relocatable homes are fairly common in some parts of Australia. For example, in Queensland, these homes are known colloquially as Queenslanders, and are wooden houses that are on stumps. Other types of relocatable homes are colonials and workers cottages.

There are at least three ways that this strategy can be profitable for an investor.

The first is to purchase a property with a house on it that can be sold or relocated elsewhere. You can then use the block to capitalise on redevelopment. Houses can be sold to private purchasers, or to companies that specialise in providing relocatable homes.

The second option is to purchase a house from someone who no longer has use for it, relocate and renovate it, then sell it for a profit.

The third way is to move a house to a different location on the same block. This is predominantly done for the purposes of developing the block. Moving the house can open up access, for example, to the side and rear of the block, allowing subdivision or some development.

When investing in relocatable homes, there are a number of considerations.

If you are thinking of buying a relocatable home that is not already at its intended location, you need to consider whether it suits the other homes in the neighbourhood. Is it out of character or is it in keeping with the general 'feel' of the area? If not, this could greatly affect the value of the home and rent or sale price that could be achieved.

You need to enquire and find out what the local council regulations are and ensure you comply. These include approval to remove a house, permission to transport the house, and approval for where the dwelling finally ends up.

It is always advisable to get a soil test done prior to putting a relocatable home on a particular block of land because the soil type could make a huge difference to the final cost. This is because certain soil types require additional foundation work, which can be costly.

You also need to factor finance into the equation. Some financial institutions won't release funds until the home has been satisfactorily installed and passed an inspection by the local council. This could affect your cash flow situation significantly, because you may have to come up with alternative financial arrangements until this has been done.

Whilst buying a relocatable home can be cheaper than buying other homes, you need to consider other costs that may be involved such as delivery costs, stumping costs, transportation permits, escort costs (if the house is higher than the standard travelling height) and building in transit insurance costs.

In addition, moving a house always causes movement in the structure of the dwelling, and there are renovation costs, plus things like wiring, plumbing, services and general repairs to consider. Make sure you do your research!

Advantages

Relocatable homes have the one major advantage that other, more traditional, homes don't have: transportability. They allow you to move them from place to place to take advantage of changing demographics.

Buying an old relocatable home can often be cheaper than buying other homes. They also lend themselves to renovation and extensions due to their construction. Decks or verandas can be easily added, rooms can be extended and additional levels can be added or taken away.

This is often a quicker way of maximising a vacant block – it is much faster to move a home and renovate it than it is to build it from scratch.

Disadvantages

This strategy may also stretch your finances initially unless you have sufficient cash reserves to get it up and running.

Relocatable homes, being predominantly of wooden construction, require more in the way of upkeep and as such, can be more expensive to own over the longer term.

In addition, the movement of the house will result in structural movement, so be prepared for renovation costs.

Jennie's Real Life Example

I have sold a number of these houses to people. The process to move the property is relatively simple, providing you have all the permits in place.

A specialist in moving houses is required and will do the majority of the work. They can advise you on the process and what you need to do to assist the process.

I have some friends who have used this strategy very effectively. They purchase a vacant block of land, and then find a suitable relocatable house. After having it moved to the block of land, they renovate to the point where they can live in it, then move in and complete the renovation over time, often several years. In the process they have been able to keep their costs very low. This means that their profit upon sale is significant. It has been a great way for them to achieve their own home for a lot less than building new.

I also know of investors who have used the strategy to put a house quickly onto a block of land and achieve either a sale or rental income. Again, because the costs are generally lower, and the timeframes quicker, this can be very effective.

Jennie sold this house - house only, not the land - for $40,000.

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CHAPTER 24

No Money Down

Buying an investment property without having to use any of your own money may sound like a dream to you, but believe me, if you know the rules of the game and use a little creative thinking, it's an entirely feasible thing to do.

Nhan in particular does this regularly and teaches others how to do it as well. But before we delve into some of the details, we want to impress upon you that buying without using any of your own money up front isn't immoral or illegal. In many instances it may be the only way to purchase a particular property. It may also be the only way a seller can sell the property.

When creating a strategy for buying property with no money down, the first thing you need to realise is that this type of deal is all about mindset. It is really all about the way you look at the deal. The thing you will be concentrating on is not so much the asking price of the property but rather what we call the loan to value ratio (LVR) of the deal.

Let us explain.

When a purchaser typically goes to the bank and applies for finance, the bank will be assessing the application based on the value of the property in question, against the applicant's ability to service (or pay back) the loan. So for instance, if the buyer wants a loan for a $500,000 property, the bank may determine that they can comfortably service 80% of the price of the property and loan them $400,000. This would mean that the applicant would need to put down a deposit of $100,000.

But let's say the applicant could not, or did not want to fork out any of his or her own money for whatever reason. How then could the contract be structured so that there would be no need to put up the $100,000 as a deposit?

This is where the LVR comes in. What you need to do is to arrange for the property to be valued before you submit your offer to purchase, by three or four independent valuers. They will produce a range of valuations; you choose the highest one.

So, let us assume the highest is for $510,000. You would use this one when applying for your loan, which would be for the highest percentage of purchase price as possible. In Australia you can apply for up to a 95% loan, which in this case would be for $484,500.

Now you have two choices: you could submit your offer on the property for $484,500, and if accepted, you would be buying the property with no money down. Or you could ask the seller to vendor finance you the difference between the eventually agreed selling price and $484,500.

No money down deals are also a great way to move properties that, for one reason or another, are not selling. It works like this: you put in an offer based on the LVR method mentioned above. If it is rejected, forget about it for a while but keep an eye on the property. If, after three or four months on the market, it still hasn't sold, resubmit an offer; but for the amount that allows you the no money down deal. It may just be more attractive to the seller now.

One word of caution: the major banks in Australia tend to process applications for loans based on their own valuations. Now this might not be the most favourable valuation for you so shop around and do your homework first. Many of the so-called non bank lenders will accept an independent valuation.

Advantages

No money down deals allow you to conserve your cash for improving the property, carrying out renovations or adding value. In many cases, they are necessary in allowing first-time investors to enter the market.

No money down deals are often used in reverse when selling hard to sell properties. If you, as a seller, could construct a no money down deal for an interested buyer who cannot quite raise the amount asked, then you may be able to sell quickly and cleanly.

These deals also work extremely well in cases where you only want an interest only loan for an investment property that you plan to on sell fairly quickly to generate cash flow.

Disadvantages

Many vendors are frightened of doing no money down deals because they seem complicated and risky. Education and patience are called for in cases like this.

One of the major disadvantages concerns obtaining finance because not all banks will base their loans on independent valuations. This limits these types of deals predominantly to non-bank lenders, but that's not always a bad thing. Many of these lenders are now increasing their market share at the expense of the major banks due to consumer backlash and anger.

Nhan's Comments

This is but one way to do a "No Money Down" deal. We have used this example to keep it simple so you have a starting point. I personally have done over $20,000,000 worth of No Money Down deals and have found it is a real art and science. To really do well you need to develop "mastery", not just a "one off" skill. This skill has many variations, and so with it comes complications and variables. Once you get the hang of it, however, **is very, very, very rewarding and satisfying!**

This is an image of a house on a double block (you could remove the house and sell the land off straight away as two separate blocks), which Nhan bought using OPM (other people's money). He bought it for $380,000 and sold it a few years later for $550,000!!!

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CHAPTER 25

Building

There's little to compare with moving into a brand new home. The carpets are lush, the walls still smell new, the appliances are the very latest, the tiles and fittings are classy and the layout, well it's so contemporary, isn't it? There's that feeling of knowing that nobody else has lived in the place before.

Tenants are no different from anyone else when it comes to finding a place to stay. They have needs and desires much the same as everyone else, only they very often do not have the luxury of being able to choose exactly what they want in a home. Sure, they get to decide on the basics like the number of bedrooms, but when it comes to the finer things that make a house a home, they usually have to settle for what is on offer at the time.

Unless they are moving into a brand new home, that is.

Many investors are turning to building these days for all of these reasons and more. In many locations they have no choice but to build if they want a property in that area. It could be that the area itself is new with no second hand homes available. It could also be that the area is stable with few offerings appearing, meaning that building is their only option (if land is available).

Often this strategy is combined with off the plan, making it very simple to administer and execute. The only real difference is that traditionally, off the plan deals involve units and apartments whereas building is about units and houses.

Of course, a variant of this strategy involves buying what we call a 'spec' home. This is a home that a builder has built, usually in a new development or estate, without a buyer in place at the time building commences. Once the house is finished, or when it is nearing completion, the builder then puts it on the market either directly or through an agent. The end result is the same; you get a brand new house to add to your real estate portfolio.

Another version of this strategy is to build a house or houses, or units, and on sell them for a profit.

Regardless, there are many ways building can be a great investment strategy.

Advantages

Everyone loves a new house. Tenants are no different. New houses tend to attract a better class of tenant; ones that can typically afford the higher rents that they demand. These tenants also tend to look after the properties better, so ongoing maintenance costs could be lower than for older houses. Furthermore, all the fittings and fixtures will tend to last longer being new, resulting again in lower on-going or replacement costs.

New houses usually deliver better returns in the form of rent to their owners, even though building costs are much higher now than they were years ago. New houses also typically come with double garages, built-in cupboards and ensuite bathrooms whereas often older houses don't.

The same appeal that a new house has for a tenant applies to a buyer. Many people shy away from the building process, feeling that they are not skilled, or that it is fraught with problems. If this is something you enjoy, can manage, and have the cashflow for, then building property to sell at a profit is something for you to consider.

Disadvantages

Building restricts you to where building activity is occurring. You simply cannot build where there is no more land available. Of course, you could build in an older suburb by knocking down an existing house, but that would not only be expensive, it would also result in a house that may not be in keeping with the rest of the suburb.

The other disadvantage is dealing with builders and the building project, which can be stressful.

If you are the buyer of a new property, the main disadvantage of this strategy is that you usually do not get to negotiate on price. Builder's prices are pretty fixed, which means that market forces don't come into play as easily.

Nhan's Comments:

When I first entered the property game and was attending numerous educational seminars, I was taught that building new homes was risky and that by buying new properties you were paying retail, vs wholesale. Like with everything there were pluses and minuses.

Now after having built 20 homes as an investor/developer, and seen countless builders go broke, I can see what I was taught was accurate. To the beginner, building a house is like 20 different people putting together a 20,000 piece puzzle.

I find that many people in the property game want to "build" at some stage and good on them, just know that there is a learning curve here and every build is different, every builder is different, and that you will need to be regularly inspecting works to get the best out of the process and the builder.

Building lowset houses are my favourite. They are quick to start and finish, time efficient, cost efficient, profitable and simple to design. Here's one I did with "No Money Down":

One of Nhan's building projects.

Jennie's Comments:

I love building! I love the design process, choosing the colours and fixtures and fittings, and the building process.

However, a word of warning. Make sure you do your numbers, there is no point in doing a building project as an investment if you are going to lose money.

Building is a process, and you must learn the process, understand the costs, and factor in the time frames.

One of Jennie's building projects – four x two bedroom units.

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Part 3

Indirect Strategies That Make Money In Property

OTHER WAYS TO MAKE MONEY IN PROPERTY

The great thing about real estate as an investment medium is that it is so versatile. There are just so many ways it offers you to make money. Why this is so important is simply because, like with most things in life, different strategies work in different situations. And what appeals to one person may not necessarily appeal to another.

Take the popular investment strategies, for instance. Strata or community title is great as a strategy; and just for the record, this is one of the easiest strategies around. And the biggest bonus of all - you don't need to spend hours on it!

Let's recap for you here with the example Jennie used in Part Two: she purchased a block of three, two-bedroom units, then strata titled them, then sold them. They were rented in the interim, providing income. The whole process from purchase to sale took 5½ months. She spent less than 40 hours in total working on the deal, and made a profit of $72,863 - a huge profit for such a small project.

So it really does baffle the mind as to why so many more investors don't use this strategy, or similar ones. It's so simple, it takes far less time and effort, and it returns huge profits. Most seem to want to do it the hard way, unaware that by following the crowd, they are dooming themselves to losing money.

That's right. Unfortunately, the statistics show that most people who get into property use strategies that don't make them lots of money! In fact, around 70% of investors lose money! Then there are some who break even, and a few make small amounts of money - like $20 or $50 a week after expenses. And then there's the small minority that actually make chunks of money.

So why don't the vast majority make money? After all, isn't investing in the property market supposed to be a certainty?

Here are some statistics – in the twelve months leading up to March 2010, 69.4% of landlords in Australia LOST money. In fact, together, they lost a combined total of around $8.3 billion. Furthermore, according to the Australian Taxation Office, in 2010 7.7% of Australians are property investors. Of all Australians, 5.6% own one investment property, 2% own 2–4 properties, and just 0.01% own more than five. In the majority of cases, most investors own a negative gear or a buy and hold, because that's what we are taught to do in Australia.

So it seems clear that the vast majority of investors are taking such a narrow view of the potential to make money that they are doing themselves a disservice. It is simply not acceptable that they lose money through real estate. Do you think they entered the market to lose money? Of course not.

Most of us don't have a lot of time and most of us don't want to spend a lot of time and effort making money. So the secret is to choose strategies that are going to work with your lifestyle and help you make the most bang for your buck.

Investing in property is never quick. It takes time to go through the various steps, including buying, adding value, and selling. It is impossible to predict how long this will all take. While it may take a lengthy time period, the secret is to choose strategies that allow you to put a minimal amount of time and effort in over the project period.

Talking about time periods, no, it is never quick. But a lot of the property investing strategies commonly taught and used in Australia depend on years of capital growth. Who wants to wait years for something that may not even happen?

Yes, that's correct. Property markets do not always go up. There are times when they go down, and substantially.

This means you should use all the tools at your disposal. Or a wider range of strategies. Why restrict yourself to just a few? It is highly likely that, uneducated, the few you choose are, in all probability, going to be the ones that take time and loads of effort.

It is important to broaden the suite of strategies you use. Not only is this logical, it makes economic sense. You will no doubt be familiar with that general mantra of the financial planning industry: "don't put all your eggs in one basket".

Over the years as property investors, we have both come across many other things that we could do to leverage the properties we were investing in as well as leverage our knowledge and people we came across in the industry. It made sense to us to make use of these opportunities as they arose. For instance, both of us began running seminars to teach others what we had learnt about the industry, we offered our services to others so they could do what we did, and we leveraged the pool of talent around us. The result was that we, as well as those we collaborated with, made money a whole lot quicker and easier than would otherwise have been the case.

This section of this book is all about indirect ways you can use to make money. It is not intended to be an exhaustive list; it is rather intended to whet your appetite by explaining some of the more creative methods you can use to ensure your investment property portfolio doesn't end up in that losing money category referred to earlier.

CHAPTER 26

Home Staging

If you want to maximise your opportunities to sell – regardless of whether you are a home owner or an investor – this is the one area where you stand to make a LOT of money. Most people leave thousands of dollars sitting on the table during the selling process.

As property investors, we know how stressful it is selling a property. First, you have to ensure it is ready for sale. This usually means planning and organising the project (or at the very least, a tidy up). Then you have to appoint an agent to handle the sale for you. Once that is done, you need to go through the whole process of marketing and showing the house to prospective buyers, who nine out of ten times are just looking.

Our experience is that most will be looking for reasons NOT to buy it. That’s right, they are looking for reasons to eliminate it from their lists. So they are super-critical and look for the slightest fault, citing that as a reason not to progress any further with your house.

Some do want to progress things and make use of those faults as a reason to knock you down on price.

Sound familiar?

You would be forgiven for deducing that the seller is always on the losing end in the selling process. There are, after all, many more houses to choose from, aren't there?

One thing that is certain, though, is that all sellers want to maximise the price they get for their properties. But the one thing none of them want is stress.

Have you noticed that whenever you inspect a brand-new property being marketed by developers, such as a display home, nobody seems to exhibit the same tendencies as buyers. They appear to be eager to secure the property.

This has to do with how the properties were presented.

Research indicates that properties being presented with the buyer in mind sold on average 50% faster and for 10-20% more.

You have just been introduced to the world of home staging.

So what exactly is home staging and what does it involve?

Home staging is all about preparing your property for sale in such a way that it sells faster and for more money. It's all about styling the property so that it appeals to buyers on an emotional level, not a logical one. We know that people use logic when looking around but when it comes to actually buying, they abandon their logic as their emotions kick in.

There is evidence to suggest that staging increases the prices achieved for homes by up to 17%. Not only that, they tend to sell far quicker. This really is just common sense.

If you were to sell your car, would you give it a good wash and clean up before driving off to the dealer or before a prospect arrives to view it and take it for a test drive? Of course you would. What's more, you'd probably also attend to things that need attending to. You would put on a set of new tyres, give the car a service and touch up any chips in the paint work. You might even put in an air freshener too. If you did this, you would expect to receive a higher price for the car than if you didn't, wouldn't you? Of course you would, and for very good reason.

So why should it be any different when selling a property?

Selling a clean, tidy and beautifully presented home makes it stand out from the rest. It gives buyers the impression they can just move in. It lets them visualise living there as it is. It appeals to their emotions immediately.

Understand this: when buyers are looking for their next home, they are not making decisions based on what you (or your tenants) situation is in the home. They are not particularly interested in the fact that you had a well-equipped sewing room set up in the third bedroom. They are not interested in the slightest in seeing a bedroom looking like a home office if it's advertised as a bedroom. They expect to see a bedroom. And they expect to see one plain and simple; not one cluttered with children's toys, sporting trophies or odds and ends.

Any good professional home stager will tell you that one of the first rules of staging is to de-clutter the property. This is partly because buyers buy based on the amount of spare space homes have. Most people will be lugging along a lifetime's worth of possessions and they'll need loads of storage space. Or just space to put it all. So give them that space.

It may mean you will need to hire some storage space prior to putting your property on the market. During the preparation phase, empty out as many rooms as you can. Send all superfluous furnishings, fittings, toys or 'stuff' to storage. If a room is a bedroom, make it a simple one. If a room is a lounge, make it a simple one. Just the basics are all that is necessary.

The look of the property must be simple, but tasteful. This may mean hiring some good furniture for the duration of the sale period. You may need to get rid of your old computer and put in an up-to-date one instead. You may need to hang some really good paintings on the wall instead of the collection of black and white family photos. (No one but you is interested in your family photos).

What's more, you want to remove anything personal that could distract the attention of buyers from what they should be concentrating on - the features of the house and not your private possessions. Oh, and this goes for your collections, too. You want them to concentrate on the property and not get sidetracked by your prize-winning model railway layout.

This is also a great time to get rid of junk. Hire a skip bin and fill it. You'll be surprised at just how quickly you will be able to do this. Empty out the garage - buyers want a place to park their cars and they want to visualize their cars in your spacious garage. Clean and empty garages look so much bigger than ones crammed full of junk.

Here's another winner that will bring you instant profit - give the property a real good clean. You won't believe how many filthy properties are put on the market. Nobody wants to visualise living in a mess or a pigsty.

Pay particular attention to the entrance to your property, both inside and out. This is because first impressions really do count. Remember, we are talking emotions here. Don't overlook the old letterbox and the house number.

If you're not at all sure how to do any of this, or it's not really your thing - hire a home stager. They can do it ALL for you, and it doesn't cost much. Think about it. Is it worth spending a few hundred or even a couple of thousand dollars to achieve tens of thousands of dollars in additional profit? The answer is obvious.

If cleaning, styling and making places look stunning is something you just love to do, consider becoming a home stager yourself. It's a relatively new market in Australia and it's a great way to make money doing something you love.

Jennie's Real Life Example

One of my best friends, Deb Lindner, is the founder of the Australian Institute of Home Stagers, and the owner of Mink Home Staging in Brisbane. I'm going to share with you the experience I had when Deb staged my own home for sale...

At the time, properties were not selling very well, particularly anything over a million dollars. Knowing how market changes occur, I knew I had a window of opportunity and I was adamant I was going to make the most of it.

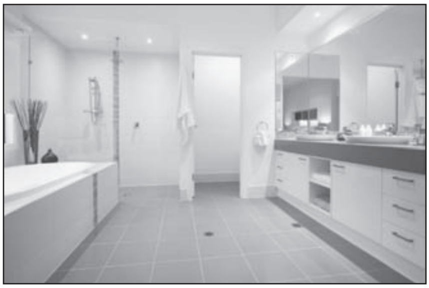
First off, we had some appraisals done on the house by various agents. They all said we might get in the low to mid $900,000s, but that it was 'probably' worth more. I called Deb and had her come over. I gave her permission to tell me exactly what I needed to do.

I then spent four weeks working on staging the home. Everything Deb told me to do, I did. I prepared the gardens and cleaned, decluttered, moved old furniture out, bought in new furniture, borrowed cushions, candles and nick nacks, and generally made everything look stunning.

I had Deb come in and use her talents and skills in styling the house – something she is brilliant at.

When presenting the home, I even ironed the linen on the beds so it was immaculate. And I arranged all the clothes and linen in neat piles that were colour coordinated.

We had one person look at the house and come back for three inspections. He bought it within eight days of it going to market, and he paid a whopping $1.1million, no questions asked.



Some examples from Jennie …
staged and ready for sale.

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CHAPTER 27

Affiliate & Referral Programs

You will find that once you get into real estate in a serious way - as you should if you take investing seriously - you will begin to develop an impressive list of contacts. They will be people with a similar interest to yours. That's the way things work.

You will find, like we have, that one of the so-called "laws of the universe" is that whatever you concentrate on, you will get more of. So if you concentrate on real estate, you will find yourself meeting other people who are also concentrating on real estate. They could be real estate agents, valuers, bankers, brokers, building inspectors, pest inspectors, builders, renovators, landscapers, house cleaners, plumbers, electricians, gardeners, handymen, property managers, home stagers, surveyors, photographers, tenants and investors.

As an investor, on your journey you will get to know the value of having a highly developed, efficient and effective team of people around you. Those people often work on a referral basis - in fact, you most likely found out about them through referrals.

Now before you cringe and shy away from the idea of 'making money' from your contacts, the strategy we are about to outline is not like multi-level marketing. It's not something that involves worrying your friends and associates to the point where they begin avoiding you.

Using affiliate and referrals programs as a strategy is like value-adding to the interests of those on your database. It is about giving them the opportunity to further their interests.

A lot of real estate industry experts pay fees to people for referrals, clients, and deals. These experts include brokers, accountants, investors, and some tradespeople, and they include speakers and educators as well.

When it comes to referrals, check with the people in your circle. Does your broker pay a referral fee if you send someone to him/her? Do you pay a spotter's fee if someone brings you a potential deal or partner? If you know, trust and can recommend someone, then others will be interested in utilising their services.

It's not hard to refer somebody. It could be as simple as a phone call or a conversation.

Think about this ... are you always on the lookout for good trades people, great education, ethical experts? If someone told you about one of these, and got paid a referral fee for their trouble, would you mind? It's highly unlikely that you would, because everyone wins. You get the expert, the expert gets a new client, and the person who refers you receives a payment. Everyone helps everyone and everyone receives a benefit.

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CHAPTER 28

Money Partners and Joint Venture Partners

Let's talk about partnering. When we first started investing in the real estate market, we were very insular. We did it all on our own, or at least we thought we did.

Then we woke up to ourselves and realised that we didn't do it on our own. We had a team of competent people around us who were instrumental to our success - and our potential failure.

That's when we really started to understand the value of partners, or to be more specific, money and joint venture partners.

It doesn't matter who you are, sooner or later you will run out of money and won't be able to go any further. You will get to a point where you will realise that if you want to do this sort of thing properly, you won't be able to unless you've got millions of dollars. Even Richard Branson and Donald Trump have partners. We figure if it's good enough for them, it's good enough for all of us!

Seriously, there's always a point where you're going to run out of money, expertise, or something else.

Now, in life, generally there are two types of people in property: those with money, and those with time, and they're normally not the same person.

Often those with time don't have the money and those with money don't have time.

But that's not the end of it. There are two other types - those who seem to be really good at getting deals and those who haven't a clue.

We both regularly find deals. They just land in our lap, left, right and centre. We don't have enough money to do all these deals but we have the time and, in most cases, the expertise or the knowledge to do the deals. In cases where we don't have the expertise or the knowledge, we know where to find it.

So here's the thing: if you want to invest in property but you sit there and think, 'Oh, how do I do it? I don't have the knowledge', understand that you don't have to have the knowledge. You have to have access to the knowledge. Does that make sense?

Let us explain with an example... we are not experts on contracts but we have access to someone who is…a solicitor.

Every time we have to prepare a contract, and we sit with the experts, we learn something.

You may know the basics, understand what you need it for and that you have to act in accordance with the law, but other than that, just ring the solicitor and have him do it for you.

If you write contracts regularly, collect versions of the clauses you are using. If you have to pull a contract together quickly you can use these and have your solicitor check them.

A word of warning here … you must ALWAYS have your contracts checked by a solicitor. Too many times we have seen clients in really tough situations because they have used clauses from a book, or gotten them from a speaker, or an agent. This is YOUR money, YOUR life, YOUR deal, and YOU must get appropriate legal advice.

However, what we are saying to you is this: you don’t have to have the knowledge, you only have to have access to it.

We don’t know how to survey a block of land and we really don’t care about ever trying to. But the surveyor knows how to do it. We don’t know all the zoning rules but the town planner does. We depend on people with all this wealth of information and knowledge at their fingertips.

Something to become really good at is asking the right questions, and that’s all you need to do too. It’s no good saying to a town planner “Oh, what’s the weather like?” then walking out saying “Oh, right, I’m going to buy that block” because the weather is irrelevant to the purchase. So you just need to be careful about the questions you’re asking.

Generally, if you are talking to, say, the town planner and he says to you “Right, as you’re strata titling, you need to have a building inspection done because we’ve got to make sure that it’s building compliant”, then say to him “OK, so who do you recommend that I get to do that?” Then I call them up and say “Joe Blow over here, who’s my town planner, recommended that I talk to you about doing this, can you do it for me?" It's really that simple.

In doing deals, we spend most of our time on the phone or in front of people, talking to them, forming relationships, getting new networks.

If you're speaking to a builder, the conversation may go something like this:

"What do you need for me to do this" to which he might respond "Oh well, you know, you need to get your soil tests done.'"

"Who do I get to do the soil tests? Who would you prefer to work with?", you might reply.

"Work with XYZ Engineering and, by the way, they can do the engineering for your design as well."

"OK, what else do I need?" you continue.

"You're going to need ..."

That's all you have to do. Become a master at networking - everyone you meet is a potential network partner.

Let's now move on and talk about finance, shall we?

There are two types of partnering that we use and as this whole area can be a bit of a legal minefield, you do need to get really good legal advice on this. However, we want to make it really, really simple because at the end of the day it is very, very simple.

Let us start by asking you this: where do you think most wealthy people get their money?

This may come as a bit of a surprise … but they typically use other people's money.

For the purposes of this discussion, we're going to discuss two main types of partners when it comes to real estate. Those types we refer to as money partners and joint venture partners. The difference between them is this: a joint venture partner is someone who actually comes into the venture with you and becomes a joint part of that venture. A money partner is someone who partners money with you.

Let's look at the last one first.

Money Partner Arrangements

Let's say we have a project and we need a money partner. We come across Karen who has $100,000 she'd like to do something with but she's not sure what or how. So we say to her, "Okay, I'm looking for a money partner. Let's see if we can get a win/win".

One of the things that we have learnt with money partnering is that we try to make everything a win/win. It's not about us being greedy; it's about everyone getting something out of the deal.

We have found most money partners are normal every day people who have between $50,000 and $100,000 sitting around and they're not too sure what to do with it. They're usually scared of shares. They're scared to go out and buy property themselves but they might be interested in it if they didn't have to do the deals themselves.

A money partner is someone who basically acts like a bank to you. The arrangement you have with them is very bank-like.

So Karen comes along and loans us $100,000. We negotiate an interest rate with her. Now, it's got to be worth Karen's while to invest with us but we don't want her to have any say in the project. All we want to do is borrow the money from her.

So we would say to Karen "Okay, well if you put some money in the bank you're going to get 6% interest. We will pay you 10%".

We have seen money partnership interest go as high as 30%. This is very high. We are often asked what is appropriate. It's whatever creates a win/win for both parties, and is negotiated between you. As a guideline, start with between 2% and 5% above what you would have to pay if you were borrowing from a bank. With money partnering, generally the risk is worn by the borrower, but it can be worn by both people.

Let's now look at ways of securing a money partnership.

The first thing to consider is a caveat. Basically, we would put a caveat over the property in Karen's name, which would mean it's a legal document and it's lodged with the titles office. This means that we can't sell the property without Karen being notified. So it protects her and she knows what we're doing with it. The worst thing about caveats is that they normally have a limited time period. So check the rules on caveats and make sure it's worth it.

Another way of securing a money partnership is through a second mortgage. Now, with the second mortgage there are some disadvantages. If we're banking with 'ABC Bank', they may not allow a second mortgage on the property. You have to ask and it depends sometimes on the deal, so you do need to be very, very careful with the second mortgage.

You've got to register it but you can't register that second mortgage until the first mortgage is registered. Sometimes banks don't register their mortgages for quite some time after you settle. This can create real problems for the lender, as they are unsecured until such time as you can register the second mortgage.

Put yourselves in the shoes of the lender, would you like to have your savings unsecured? Highly unlikely!

What we use the most is a personal guarantee, which is a legal document that says we personally guarantee to pay back our money partner's money. If we don't pay back their money under the terms of the agreements, they can take us for everything we've got. They have the right to do that. It's like dealing with a bank. If we default on a bank mortgage, they'll take our cars, our house, whatever they can find that's ours. So that's what we use now because it's the best security we can give a person.

When it comes to family or friends as money partners, we sit down and have a conversation that goes something like this:

"All right, I'm okay to talk to you about this and I'm even okay to do it but here's the deal. I have the right at any time if I think this is affecting my friendship with you to pull out of the deal. So when I walk in the room to talk to you about it, it's business. When we walk out of the room, we're friends again."

We tell them that they have the right to do exactly the same thing to us.

If you're going to money partner with someone, you need to be comfortable that it is a business arrangement. Make sure that you have boundaries in place. We would say if you are going to do any partnering at all, you need to be very clear that you have every contingency covered.

There's a couple of ways you can repay the loan. You can pay it back monthly or at the end of the project, which would usually mean you would capitalise the interest. We prefer the end of project approach. It works like this: at end of month 1, the interest payment might be, for example, $1,000. At the end of month two, it might be $2,200 (it's interest on the interest, basically). It may cost a little bit more but over the course of a year it's not a huge amount more, and we'd rather capitalise the interest because then we don't have to worry about the payments until the end of the project.

So you can do it either way, but you MUST have an agreement in place. You need to check that with your solicitor to make sure it's all above board. We always give our partners an agreement and ask them to take them to their solicitor and have them check it out.

Now, on that agreement you need to state the following: who's involved (if we're using a trust set-up and that's the entity that's doing the borrowing, we need to state it there), the dates involved, and an out for both parties. So if, for example, our money partner gives us a month's notice, we have time to find another partner. This also gives the money partner the security of knowing he or she can pull the money out at any time.

We always have an out because if we sell the property, we will want to pay out the money partner at that time. We may give them the right to move to another project with us if we have one ready to go. Generally, our out is with less notice than our partner's because, for example, if we've got a 30-day contract on a property it'll generally have a two-week conditional period. We won't know that the contract is going to actually be paid out until probably two weeks in with two weeks to go.

If that doesn't work for the partner, you can make it longer; you're just going to have to pay a bit of interest after the settlement, that's all. It's neither here nor there.

If you're doing a deal and whether you do it or not comes down to the interest payment, you shouldn't be in the deal. If the interest is the make or break in the deal, don't do it. If going for 8% to 10% is going to make your deal unviable, don't do it.

The agreement needs to be witnessed and signed by both parties. Then when you do close off the loan agreement, you need to have a document that releases both parties. Some people pay a bonus at the end to keep in favour with the money partner.

Now, do you remember the strata titling deal we mentioned in the strategies section of this book? Jennie paid the money partner a bonus because she couldn't have done that deal without a money partner. There's no reason why she wouldn't benefit them and it was no skin off her nose. She still made $72,863. So, why wouldn't she have paid them a bonus? It doesn't have to be big. The other thing is you want to stay in favour with these people because at the end of the day they make or break you, and you may like them to keep partnering with you. On $100,000 we might give between $4,000 and $8,000; it all depends on how much it was worth to us and how good the partnership was.

Jennie had a money partner once and during the time the agreement was in force the interest rates went up exorbitantly, so the partnership was renegotiated. He went onto another deal with Jennie and she increased his interest rate on that deal because that was fair.

Partnering is about everyone winning and deriving some benefit. Those people are putting their cash on the line for you so you need to put something on the line for them too. At the end of the day, what you have to remember is that you're doing this because you are making money out of a deal, so make it a win/win.

Advantages

If you're the person running the deal, you have total control over it. So if we lose money on the deal, that's our problem. If we make a ton of money on the deal, it's also our problem – a good one to have! It has nothing to do with our money partner. Our responsibility to our partner is to pay back the money. That's it. We have no one telling us what to do. We like it that way because we know what we're doing. We're the one who find the deals. We're the ones who researches them. We know the strategies. We're the people who are educated and informed about that deal and no one knows our deals better than us.

The other thing is that we know what our costs are right from the start. So, if we're borrowing money at 12%, we know that our costs are 12% all the way through.

Disadvantages

We wear the risk, so if we do lose money, we're still obligated to pay back our money partner.

Sometimes money partners will call in the money early, but again, if that's something that really bothers you, write your contracts so that it doesn't become an issue. All of our money partner agreements are kept with wills and our executors know about them.

Joint Venture Arrangements

Let's now take a closer look at joint venture partners as opposed to money partners.

With joint venture partners, the first thing is that the risk is usually worn by all people involved. What it can also mean, depending on the set-up of the joint venture, is that you can be exposed to someone else's financial situation. If that person is in trouble financially, you could be affected. You need to be aware that it can happen, so you should take every step you can when putting together your contracts to stop it from happening.

You must seek accounting and legal advice on this — you can set up entities that indemnify or protect themselves from each other; you can set up a project that is protected from other projects or other influencing factors. So either your project can stand on its own financially or it can fall on its own financially, without affecting other things that you are doing. Just be aware that it can happen and be prepared for it.

Usually a joint venture arrangement is secured with the property that the joint venture is over, so we don't get into second mortgages, caveats and personal guarantees on this because the security is usually in the property itself.

There are no repayments. Everyone gets a share when the project is completed. Now having said that, here are some general guidelines. Please understand that the instigator of the joint venture could sit down with you and find out what your needs are and then negotiate a money partnership arrangement that helps you satisfy your needs but helps them to get to where they want. This might be quite different to the one they would do with anyone else. In fact, most partnership agreements are quite different from others. They have the same philosophy but depending on people's circumstances, they are different. So generally speaking, with joint ventures, there are no repayments and partners get a share when the project is completed.

But one thing that's not different is this: you simply have to have an agreement - a contract - in place to cover the arrangement. No doubt you know people who say, "Oh yes, I did it on a handshake". We say that's fine, you can make your agreements really simple. They only have to be one page if you're comfortable with that, but you need to envisage the worst case scenario and that you're going to fall out with these people and then cover that in your agreement. Write your agreements, your contracts, with any partnership as though it's the worst possible thing that can happen to you, then act with integrity and honesty; theoretically the project should turn out fine. That's our philosophy.

Your agreement needs to say who's involved, what the dates are, the terms of payment, the length of the contract, a way out for the parties if necessary, and what happens if property conditions change. Cover all the contingencies. It should be witnessed and signed by both parties and you need an agreement to be released at the end of the period.

This is really, really good for bigger amounts and bigger deals. Now, we've made it sound simple and it really is; it's the legal jargon and the contractual arrangements that make it look complicated.

The other thing you really need to be very careful of with joint ventures is this: if you put an ad in the paper for a joint venture partner, you're probably going to get some shark respond (and we're not saying this nastily or anything). That's the reality of it. You'd want to be very, very careful about that. The thing with joint ventures is that you need to ensure you maintain control of your deal (if it's your deal) because you are the one who knows the deal better than anyone.

Advantages

With joint ventures the risk is shared, so it goes across all parties. Another benefit is that it allows you to do really large projects; things you wouldn't normally be able to do on your own. As an aside, if you're doing a joint venture, often you'll have access to the borrowing power of the partners in the joint venture, so this increases your borrowing capacity.

It also can be shared in agreed amounts. So there could be ten joint venture partners, and they could all have different shares of the venture. They don't have to all have a 10% share. One could be worth 20% or one could hold 50% and you could hold 30%. It's totally negotiable.

Disadvantages

The agreement needs to be very, very watertight. You have to have one person who is in charge and makes the decisions, so for some partners, that might not be a good thing, but that's just the reality of partnering. Another major disadvantage is that if there's a disagreement between the parties, for instance the sale prices, it can really cause chaos.

If you are going to do a joint venture arrangement, you must ensure that you put everything down in writing before you sign on the dotted line.

Some tips for money partnerships and joint ventures

Make sure your proposal covers the following topics: what price you expect to sell it at, details of the development, expected profit, what happens if the market collapses and what happens if the market continues to climb. Lay it out upfront so that all those types of things are out in the open.

An important element of any partnering arrangement is communication. Some money partners won't care or want to know what you do. Others will want to talk to you very regularly. Some may want to learn from what you are doing and others will just go with the flow. So it's all about the type of person they are and how prepared you are to go with it.

Be careful about a money partner taking up a lot of your time. This is a distraction and can take you away from what you should be doing – completing the project and realising the profit. Determine with them what they want out of the partnership, make sure you are happy with that and it is realistic, then honor your promise to give it to them.

How do you find money and joint venture partners? This is actually quite an interesting little exercise. Basically, you have to put the word out and let people know. If you know that someone is looking at investments - and often you know they are - just let them know that you have got opportunities. Make sure, though, that you do have an opportunity. Don't go to them and say "Oh, I'd like to money partner with you but I don't know what the deal will be just yet". That's not good enough.

What does a typical money partner look like? How do you know who to approach?

They may be people who have just sold a house and are sitting on $100,000 cash for six or 12 months while they decide what they want to do with it. Some could want to diversify their portfolios and don't want everything in shares or superannuation. You can have money partners who are very interested in property, but then there are those who don't really want to know too much about real estate; they just want to be involved in property as an investing tool because they feel comfortable with it.

Where do you find them? Talk to people like your accountant and solicitor. Some real estate agents actually have contacts for money partners. Talk to your friends and family and let them know you are looking. You never know who they know. It's like when you have just bought a new blue car; all of a sudden you see the same car everywhere.

When you start to put it out there, you'll start to see the opportunities materialise. The other thing you've got to get over is this "Oh, they won't want to talk to me about money". Don't ever start thinking "Who am I to talk to them about money?"

Here's the reality - if you go to someone and say, "Hey, do you want to money partner with me?" and they reply "No", then respond with "Great. How else can I help you?" Remain friends. It doesn't matter if they choose not to become one of your money partners. If you are desperate or greedy, it will show and you won't attract the right types of people.

When Jennie first started, she sent out some emails to contacts she had and went from there. Your partners and your relationship with them should be totally confidential. No one needs to know who they are. If they choose to divulge to somebody that they are money partnering or joint venturing with you, then that is their business. It's their money, not yours.

Some potential money partners may want to contact someone you have already partnered with to find out how it went. In cases like this, they do have the right to go to those people for a reference and ask them any question they like. If you have someone interested in partnering with you who wants a reference, make sure you have permission from your partner to divulge their details.

Builders are another source of money partners. Often they have a money partner who backs them. If you get to know a builder well, you may get access to their money partners; you may even be able to enter into a joint venture with the builder, who could build a project you do with the money partner.

Give your money partners statements when they are paid. So, if they are paid monthly, they get a monthly statement. At the end of the financial year, send out a statement for tax purposes and make sure you declare everything on your tax return.

Once you have come across a potential money partner, the next question is how to sell the idea to them. Start by having a general conversation with them, particularly if you know that they are searching for an investment.

You will most likely have to educate your partners, so start off by saying something like, “Have you thought about money partners?” If they seem interested, continue by saying “There are many ways you can invest in property without becoming what I call an active investor - you know, someone like me who goes out and does all the work. There are passive investors who let someone else do all the work. They just reap the rewards. There’re lots of people who want to remain passive”.

Don’t be too pushy; be gentle with it because at the end of the day you don’t want to force anybody into anything. It’s got to be someone who has come to you quite willingly and confidently but sometimes it takes time to develop that relationship.

Ask them what they want and what appeals to them and do your best to accommodate their requests with what you need. Remember, at this point it is a negotiation; it is all about finding what both parties are comfortable with.

If they are interested in pursuing this further with you, make sure that you are prepared and have a proposal ready. Set up a more formal meeting and lay it all on the line. Show them that you are getting what you want and helping them to get what they want as well. Outline how much you expect to make, expected time frames, everything; because they want to know that they are going to get paid at the end of the day.

Generally, know what they want from the deal and what they want from you. It is about being prepared. But having said that, the first time you present a proposal can be quite challenging and nerve-wracking! Practice with someone if you are not too sure about it.

If you already have a loan agreement in place, then you have a liability that needs to be disclosed.

CHAPTER 29

Buyer's Agent - Sourcing Property For Others

Owning property is part of the great Australian dream. People hanker after a property of their own because they believe it represents stability and increases their intrinsic wealth. As with most things, one usually leads to two, especially once they realise how much they can grow their wealth through owning real estate.

Another factor that can lead to a home owner deciding to invest in real estate is the equity they build up in their home as time goes by. They soon realise the potential provided by their existing mortgage as they can borrow against it once more.

Many like the idea of putting this potential to good use and go out and buy an investment property for themselves. But there are many others who, although they may like the idea and see its potential, decide not to do anything simply because they either do not have the considerable amount of time needed to source and secure property or they cannot face the prospect of negotiating the best deal for themselves once they have found a property to buy. They don't want to get ripped off and pay too much (there has been much in the media about the antics of 'spruikers' and other opportunistic or unscrupulous agents).

Furthermore, they know that as soon as they enter the market, they will have to deal with real estate agents who will be trying their best to squeeze as much as possible out of them. They do, after all, work for the seller who pays their commissions.

So what can you, the real estate investor, do to create a win-win situation?

Think of it as a marketing exercise. What would a marketing professional say? "There is a need in the market that needs a solution. I have some expertise that is a solution to that need. I have a solution that can solve a market problem."

So, what expertise do you, as a real estate investor, have that others could use to resolve an issue they have? You have knowledge about the industry, you have an extensive list of contacts and you have buying and selling experience. All of this is not only useful to others; it's something they may be willing to pay for.

There are many people who would happily invest in real estate if only they didn't have to go through the whole rigmarole that it entails. They would happily buy if they had someone working FOR them and not AGAINST them in the market. They would happily buy if only they could rely on someone who knew the ins and outs of the game acting for them.

That person could be you.

With your understanding of the real estate game, you could quite easily act as a buyer's agent.

Think of it this way; you are out and about in the market, sifting through what is on offer on a daily basis. You view most properties that meet your general investing criteria. You know most of the local agents and are used to dealing with them. They know you as a serious investor. But you cannot make offers on every property you like.

So what do you do with the ones you have to pass on? You could suggest them to someone else who you know is interested. You could progress the opportunity to the point that they would be interested in visiting it and seeing it for themselves. Then, if they agree, you could negotiate with the agent on their behalf.

It's what you do naturally in any case, isn't it? It's what you like doing. It's what you do well.

Your arrangement could be a simple one whereby you earn a commission for successfully concluding a deal. It could be as simple as gaining a spotter's fee from the buyer.

If this is a strategy that you would like to take further, then I would recommend you join the Real Estate Buyers Agents Association of Australia. Their web site can be found at http://www.rebaa.com.au/. You can initially join as an associate member until you get experienced and licensed by the Office of Fair Trading in your state. You will also need Professional Indemnity Insurance. Then you can upgrade to a full member.

Buyer's agents are also represented by another body in Australia, the Property Buyer's Agents Association of Australia (www.pbaaa.com.au). They have stringent criteria for membership in place whereby only fully licensed and insured agents who are also members of the Real Estate Institute in their respective states, are eligible to join.

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CHAPTER 30

Real Estate Agent

One of the great things about becoming a passionate and successful real estate investor is that it really does open up the possibility of working full time at what you love. Yes, we are talking about becoming a real estate agent on a full time basis.

What better way of keeping up with trends, market movements and developments than keeping your finger on the pulse 24 hours a day. You can make a living by putting your hard-earned knowledge to good use, working on both sides of the real estate fence!

You see, as professional property investors we have discovered that, like it or not, our destiny as an investor is largely tied up with having to deal with real estate agents. That is just a fact of life. The number of owners who take on the task of marketing and selling their own properties is so small it is almost insignificant. What's more, the few we have had to deal with left us feeling we had no confidence in our dealings with them. Sure, most were very genuine and nice people, but just how 'professional' they were, well that's what we were worried about. Dealing with someone who obviously had a vested interest left us feeling that things were stacked against us. As a buyer, we really had no confidence in them at all.

It is ‘as a buyer’ that we are most interested in. If you really understand how buyers feel, what their concerns are, and what they are thinking, then you are in an excellent position to act as a real estate agent. We say this because so many agents we deal with know so little about investing in real estate, it’s laughable. In fact, we would be prepared to say that the vast majority of them do not own any investment properties.

Most have no idea of the implications of the various strategies we use when buying and it is very annoying. They really do not know what issues or considerations are important to investors and as a result, they are not of much use at all. This results in us having to do so much more research (or scratching around) to find out if a particular property will earn the profit we need it to. Will it help us achieve our investment goals? Does it get enough rent? Or if a project, what can we do with it, and most importantly, will it make a profit? How useful an agent would be if only they understood what is important to investors.

On rare occasions we have dealt with a real estate agent who also happens to be a property investor, or has a great understanding of investing strategy. What a refreshing difference that is. It is like talking to one of our own. It makes our interaction with them so much more efficient (and pleasant) because we don’t have to spend hours explaining basic investment strategies and considerations; we can get straight down to business.

Let me give you a good example of what we're talking about.

You will recall that one of the fundamental rules when buying an investment property is that the deal must be a good one. Notice we said the 'deal' and not the property. This means the numbers must stack up. If they don't, it doesn't matter how nice the property is or how much of a bargain it is. If our numbers don't work, we walk away from the deal. The property must produce a set of numbers that are in accordance with our overall investment plan. There is no place for emotion when it comes to real estate; it is a logical business, not an emotive one.

The property must deliver the end result that our plan calls for. It must meet our return on investment criteria or it's no good.

If we are looking for a property to rent, the most important criteria we focus on is the rental income we can expect. We need to know if the property will cost us money, pay for itself, or make money. I'm sure you agree with us that we want it to make money!

Most real estate agents use 'emotional' reasoning on us when trying to gauge our interest in a property instead of 'logical' reasoning. Doing so immediately signals to us that they really are nothing more than order takers. How we love coming across one that understands our needs as an investor. We know, too, that this is how the majority of investors feel.

So here's another opportunity to earn money through real estate. Become a real estate agent and be in tune with the real estate investing public. This is, mind you, a growing area in Australia as more and more people buy into the property investing market. There is scope to make a name for yourself as a specialist in this field.

Understanding the needs of investors is crucial, too, when it comes time for the investor to sell. If you were wise to their needs, you would be able to corner the market in your local area by positioning yourself as the one to deal with. They will soon pick up that you know what you are talking about and have confidence in listing with you for that very reason. You will really be able to 'work in their best interests' if you truly understood where they were coming from.

So what is involved in becoming a real estate agent in Australia?

It's not as simple as just listing, marketing and selling houses. Each state or territory looks after the requirements for becoming a real estate agent, so it's best to make contact with the Real Estate Institute where you live.

As a general guide, all real estate agents in Australia need to be at least registered. In most states, you will need to be licensed as well. This may require you to sit exams and work for a registered real estate agent, but once again, make contact with the Real Estate Institute in your state to find out the specific details.

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CHAPTER 31

Finance / Mortgage Broker

When you think about it, you have a lot to offer once you have become a successful property investor. This is not only because you know your way around the industry, it is also because you will have developed a good feel for what's good, what's bad, and everything in between.

The old adage that you attract more into your life of what you spend your time thinking about is so true. The one thing operating as an active property investor gives you is leverage. You see, you can do many things with the knowledge you will be amassing and growing as time goes by.

One of the areas you will become quite proficient in is finance. Now we are not for a minute suggesting that you will have what it takes to become an investment banker, but we are saying that you will develop a good idea of what's on offer, what the going rates are, who the best lenders are for investors, which ones are forward thinking and can come up with creative solutions to particular situations, and what the trends in the market place are.

The other thing you will develop is a liking for figures because that is what investing in property is about. It's all about numbers.

By having an in-depth understanding of the financial requirements of a property investor, you will have a huge advantage should you decide to capitalise on this and become a finance broker.

Becoming one is not as difficult as it may at first seem. Sure, there are requirements that have to be met before you can operate as a broker, but there are ways of achieving this. The best is to do one of the many courses on offer. As a minimum requirement, most lenders now require you to have a Certificate 4 in Mortgage/Finance broking as well as becoming a member of an industry association. Of these, there are two to choose from: the Mortgage & Finance Association of Australia (MFAA) or the Finance Brokers Association of Australia (FBAA).

Don't let these formal qualifications put you off. Think of it as another important step along the path to financial freedom. Isn't that the main reason you've become a property investor?

CHAPTER 32

Photographer

You have no doubt heard the saying a picture is worth a thousand words. Well, it's true, particularly when it comes to real estate.

Why should this be so? Well for starters, think of how you would go about shortlisting properties to inspect when you have just entered the market as a buyer.

Do you drive off in your car, heading for the first property that is open for inspection? Of course not. For one thing, you probably don't have the time to approach it that way.

Instead, you would most likely begin by looking on the internet, entering some search parameters into your favourite program, such as realestate.com.au. Or you may check out the local real estate section of the newspaper. What you will be doing is sifting through the thousands of properties on the market to see which meet your basic criteria.

For instance, if you were intent on buying a family home, you would skip straight over units and apartments, wouldn't you? If you particularly wanted a property that had a tennis court, you wouldn't waste time reading through ads that were for properties that didn't have a tennis court.

Once your basic search has produces a short list of sorts, the next thing you'll most probably do to reduce this list even further is to take a good look at the accompanying photographs of the property. It is here that you will get an immediate feeling about whether to keep the property in question as a possibility for closer inspection or to dump it.

It is the photograph that may very well do the selling job at this point. Now we're not suggesting that if the photo is good, you'll rush out and sign an offer to purchase. What we are saying is that if you were to buy the property in question, then the photograph of it may have played a major role in the sale because without it, the ad may have been culled like the rest of them.

As a property investor you will have no doubt been to see many, many properties, even if you are still a beginner. That is because it is said that for every one hundred properties inspected, you'll probably get serious about ten, put offers in on three, with one usually being acceptable to the seller. That's just how things are in this game. So you'll know a thing or two about properties and what makes them attractive. You'll also have a good idea about desirable features or selling points - things that should be accentuated or highlighted during the sales process. These are the features that could be photographed and used in advertising campaigns.

Think, for instance, of your reaction when you were attracted to the sound of a property in an ad, only to find that the accompanying photo tells you nothing about the place. What was your reaction?

Think of those insane ads that just show a wooden fence, behind which supposedly lurks the house. Or the ones that show an empty lounge room. Or a back yard. Or lead with a picture of the beach. What on earth was the agent who took the photos thinking? Obviously nothing.

How do you feel when you see a beautiful picture of a home with all its lights on, silhouetted against the setting sun in the background? Do you get the idea that the property is worth a lot more than they might be asking for? Does quality jump out at you from the page? Do you get the impression of a well-kept home? Of course you do. And remember, in real estate first impressions count. So the photo in the ad is the first impression you get of the place.

So how can you go about earning money being a real estate photographer?

Firstly, use leverage here. Speak to the real estate agents you have good rapport with. Speak to those you use or see on a regular basis as you attend open for inspections. Tell them that you are also a photographer and, as a serious investor, you understand what makes a good photograph for display ads or brochures.

Secondly, do your own photography. Take photos of the investment properties you are selling, and charge for it. You are, as a seller, legitimately allowed to cost in all marketing expenses, so why not work for yourself?

Thirdly, spread the word amongst other real estate investors. Have cards printed and give them out whenever you can. Give one to everyone on your team (your finance broker, banker, solicitor to mention just a few). They talk to other investors as well as buyers and sellers, so you need to get the word out amongst that community. You might also want to think about advertising more formally in your local newspaper.

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CHAPTER 33

Copywriter

This is another area where you can put your skills, talents and experience as a real estate investor to good use.

Just as good photographs are important when it comes to marketing a property, so too are the words that accompany them.

Photos can only portray so much information as most adverts have limited space available for the picture. Words are used to fill the gaps, create the expectations, inform and generally tell the reader exactly what the main features of the property are and how they could satisfy their requirements.

Writing good advertising copy is a skill because the relevant information about the property needs to be laced with catchy words that will stimulate the reader's interest. It must also outline what the property has to offer in as few words as possible. That takes practice.

We don't know how many times we've glanced over an ad and tossed it aside, only to pick it up again and give it another look. Something usually tells us that, although the ad was badly written, the property would be worth a look, and our instincts have usually been right.

This is something we have developed over time but it never fails to amaze us how many sales must have been lost due to poorly worded advertisements. We're certain that, with all the experience serious property investors gain through viewing so many properties, writing half decent ads comes almost naturally because we know the things that are important to us when reading the ads. We know what sort of information we want when deciding whether or not to place a particular property on our short lists.

Here is another thing that might surprise you: most real estate sales people are hopeless at writing good copy. We know they should be good at it because they write so many of them, but when you consider that most of them don't own investment property themselves, they simply have no idea what's important and what's not. They seem to think that emotive garbage and flowery words are what it takes, or a brief description of just a few words like 2 bedrooms, 2 bathrooms, will cut it.

What they fail to appreciate is that we need solid information when scanning through the ads. We want to be enticed to look at the property, so we want the specific information as well as a picture of what the property is like. We know that time is money and we don't have all the time in the world to read all the ads, view all the properties and make loads of offers. We do, after all, treat this like a business.

We have come across many real estate agents who understand the importance of well written copy. They are more than happy to recommend to their clients that they should consider getting their copy professionally written.

This is where you come in. Offer your services to real estate agents. Tell them that, as a serious investor yourself, you know what type of information is critical for investors. Let them know that, by targeting the investor market (especially if the house is already tenanted and aimed at the investor market) they could have a sale quicker, and for a better price with a well-written ad.

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FINALLY …

Property Investing is an amazing tool for building wealth. It is also an amazing tool for losing money!

"The Property Investing Formula" contains information on what is just the beginning of the knowledge you will need on your journey into property investing.

We've talked about mindset, strategies, and added in some valuable information to help you understand and deal with the property investing world.

Now it's your turn! It's great to have knowledge, however, it's only of value to you if you put it into practice.

We encourage you to become one of an elite group of successful, wealthy, profitable property investors. Here's a quick list of tips to help you on your way.

- Absolutely, positively, choose a mentor, someone who is actually doing what you want to do, and has similar values to you. Check if you will be working with, and have direct access to, your chosen mentor – you want to be able to tap into their knowledge, not someone who is employed by them

- Continually update your education and knowledge – there are loads of ways to do this – books, seminars, the internet – just to name a few …

- Research and check everything you are told – verify it
- Be careful to take your time before jumping in – there is a lot of misinformation and unscrupulous people out there

There is so much more we could share with you, and perhaps that is another book!

We hope that you will enjoy property investing as much as we do, and that it is as wonderful to you as it has been to us.

We wish you all the very best! Drop us a line sometime and let us know of your success.

Bless ya!

Jennie Brown

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Cheers

Nhan Nguyen

info@AdvancedPropertyStrategies.com

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ABOUT JENNIE BROWN …

Jennie Brown is a philanthropist, speaker, author, mentor and property investor. She lives on the Sunshine Coast in Queensland.

Jennie is the author of "Your Property Questions Answered"; co-author of the Australian bestsellers "Property Millionaire" and "Millionaire Coach", and co-author with Brian Tracy in "Cracking The Success Code", which reached #2 on the Amazon Best Seller List.

With a passion for helping people to achieve their goals and attain financial freedom, Jennie travels the world, mentoring and educating others about mindset, lifestyle, wealth, purpose, goals and real estate investing.

Jennie aims to facilitate positive, lasting life change in people, always inspiring her clients to be proactive in the legacy they leave. Walking her talk, she supports a number of charities and enjoys a healthy life balance of work and leisure.

Jennie's speaking and seminar business educates people on how to live a more purposeful, extraordinary and inspired life, and to live the life of their dreams. Her events receive rave reviews and include "Mindset Mastery", run over three days; and a one week overseas experience called "The Wealth Retreat".

In addition, Jennie is an impassioned philanthropist, and is inspiring 1,000 people to donate $1,000 each to help rescue children in slavery, as founder of Project50.

To learn more about Jennie Brown and her events, visit
www.JennieBrownEvents.com.

For more information on Jennie's philanthropic projects,
visit www.ProjectFifty.com.au

For more information on property investing, visit
www.JennieBrown.com.au

And to book Jennie for speaking, visit
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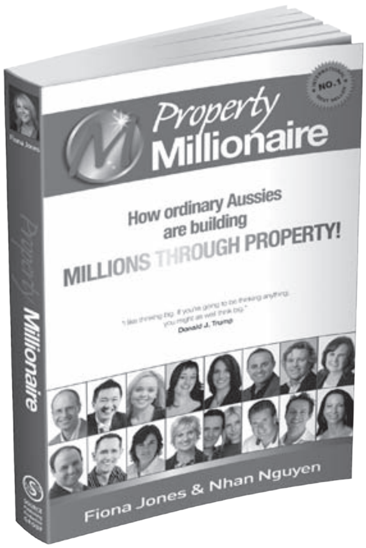
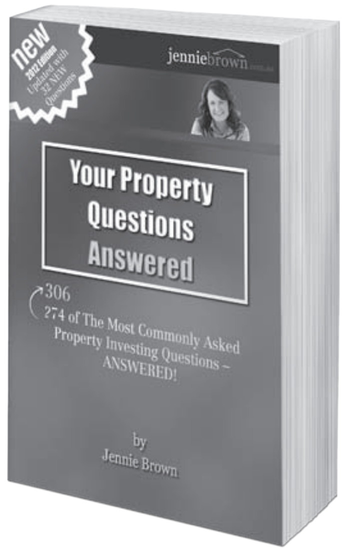
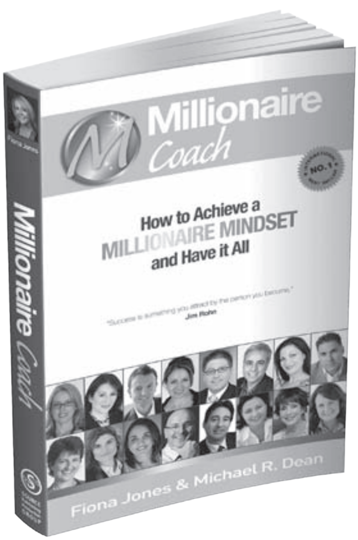
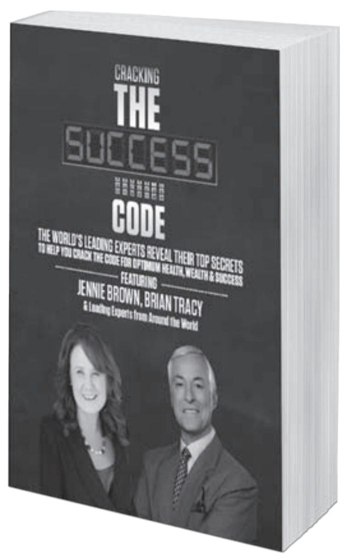
Books Written By Jennie Brown









ABOUT NHAN NGUYEN …

Nhan Nguyen is a property entrepreneur, best-selling author, trainer and speaker. He was born and bred in Brisbane, Queensland, and went to school on scholarship at Ipswich Grammar School.

He is co-author of the Australian bestseller "Property Millionaire", which has sold over 10,000 copies, and has recently released "From Broke To Billionaire".

Even though Nhan failed his medical entrance exams twice in two years, he found his passion through Wealth Education and Personal Development.

Nhan has the best of both worlds. Having quit his full time job by age 23, he does property development with a passion, as well as dedicating his time training and mentoring people to create wealth through Property. He loves travelling regularly with his young family, aiming to go overseas at least twice every year.

In his trainings Nhan believes in being hands on, and that people learn the best when they DO what property investors DO, not just talking about it. He is proof of the power of Mentors, as well as the power of being coachable, and listening to people with Wisdom.

Nhan's business, **Advanced Property Strategies**, trains and mentors people to make money in Property. He features regularly in Australian Property Investor Magazine as well as 4BC radio station.

To learn more about Nhan Nguyen and his events, visit **www.AdvancedPropertyStrategies.com.**

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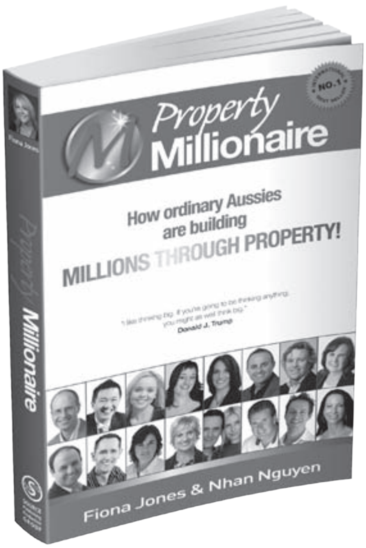
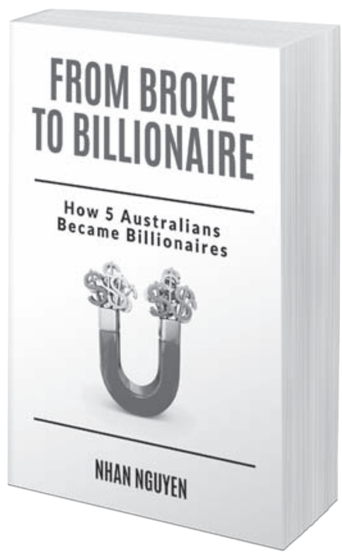
Books Written By Nhan Nguyen





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