Wake Up

Wealthier

How to Build A Property Portfolio That Pays You An Income Every Month… Even If You've Never Invested Before

Niro Thambipillay

Disclaimer

By law, I need to have a disclaimer. So, here goes:

I probably haven't yet had the pleasure of meeting you, in which case, I don't know you and the information in this book may not be specifically helpful to you. This is a general information guide on property investment, which I hope will assist you, but I cannot guarantee that it will.

Please don't view this as legal, financial or tax advice. It most definitely is NOT.

The information I provide here is based on what I've learned in my now 20 years of experience investing personally and 12 years helping hundreds of clients invest in property. There have been times though when I have not been able to help someone for whatever reason. When that has happened, I've always been up front in communicating this to them. So, I'd like to do the same for you here.

As much as I'd like the information here to be of value to you, it may not be relevant to your particular situation as it is general information only.

Even though I do talk about tax advantages, I am not a qualified tax accountant. Please don't consider any of this information to be tax advice.

Finally, feel free not to believe a word that I say in this book. Yes, it is based on my now 20 years of in-the-trenches experience, but it isn't for everyone. It is important to ensure that you get the right advice for you.

If you continue reading, I'm going to assume that you're looking for information from someone with experience, so you can short cut your learning experience (which is a very smart thing to do), but you will then need to do your own due diligence and take responsibility for any decisions you make.

Does that sound fair?

If so, please turn the page and start reading.

If not, then I humbly ask that you close this book and never read another word of it.

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#1 Who This Book Is For

Before I wrote one word of this book, I searched for the term, 'property investing', on amazon.com.au. I found that there were 918 books listed and that number has almost certainly increased since then.

So, you might well ask me, why choose to write another book on this subject?

Well, over the last 12 years that I have been helping people invest in property, I've heard the same questions come up again and again.

Question such as:

- How do you get started?
- How do you use the equity in your house to invest?
- What do you do if you can't get rent?
- If you're scared of the extra debt, how do you protect yourself?
- Where is the best place to invest?

In recent times, I've started hearing additional questions like:

- Are apartments still good to invest in?
- Is it too late to start building a property portfolio, especially after the massive price rises in 2021?
- Isn't the government clamping down on investors?

So, despite the plethora of books out there, these fundamental questions are not being answered. I've heard many people say that they have read books on the subject, seen experts and paid money for expensive courses, only to often end up even more confused than when they first started.

What I've come to realise is that what's needed is some kind of easy-to-apply checklist. It needs to reduce the time needed to figure this property investing stuff out and provide a beacon of light through the fog of confusion.

That is exactly what I hope to accomplish with this book.

So, if you're someone who is busy with work, juggling family commitments and have next to no spare time, but still want to get into the property market, then this is the book for you.

If you're someone who is sick of spending your precious time late into the evenings on the internet researching property after property and have only gained a headache and poorer eyesight from doing so, then this is also the book for you. It will help you use your time far more strategically, help you avoid the lemons and discover how to spot the great deals.

Finally, if property investing is something you know you should get into but, frankly, the whole thing seems like a scary minefield and you don't know where to start, then this is also the book for you. I hope to make what is a frightening topic for many as simple as it can be.

If you're still reading, then you must fit into one of these three categories.

Let me begin by congratulating you!

Choosing to invest your time in reading this book shows that you are serious about discovering what's right for your future, your family and your finances.

My sincere aim is that by the time you read the final page of this book, you will feel more confident about taking your first step into the property market and have the right tools to do so.

If you have looked at other property investment books, you might notice that this is shorter than many of them. This is deliberate because...

I want you to actually read this one!

That might sound strange, but over 80% of people who buy a book like this never get past the first chapter. I'd say the number is even higher with most property investment books.

So, even though I've made this book short, it is packed full of virtually everything you need to get started. There are exercises at the end of some of the chapters as well, which you can use to practise what you've learned. I'm serious about giving you as much value as possible, so please take the time to do the exercises to cement your understanding of the simple, but powerful concepts we'll be looking at.

If you're ready to begin your journey into the profitable world of property investing, then let's begin!

I wish you much success and hope to meet you one day.

Niro Thambipillay

#2 Why Property?

One question I am often asked is, “Why choose property as your wealth creation vehicle?”

I get it.

The dollar amounts can be scary. At today’s prices, you won’t get much change from $500,000 and, in Sydney or Melbourne, you’re probably looking at over $1 million. When you’re dealing with such large amounts of money, there can be a lot of fear associated with what could happen if you get it wrong.

So why should you choose to invest in property? Let’s look at the…

Three Reasons Why I Believe Property Investment is the Best Wealth Creation Strategy Over Time

1. Leverage

This magnificent ‘L Word’ is the primary and ultimate reason why I LOVE property, despite the government and banks making it harder for investors to leverage.

Let me use an example to illustrate.

Let’s say you have $120,000 in available equity to invest with. I will explain later how to calculate the amount of available equity you have

Using the $120,000 for a 20% deposit, plus costs (stamp duty, legal fees, etc.) and borrowing the rest (assuming you qualify for the loans), you can purchase a property for about $500,000

Let’s assume this property grows by 10% over the next year. That might seem unrealistically high, but after what we saw multiple markets do in 2021, 10% is quite conservative.

So, with 10% growth at the end of year 1, you have made $50,000 in capital growth (without having to do any extra work).

Now we can look at calculating the value of your property portfolio.

Value of Your Property Portfolio at the End of Year 1

= $500,000 + 10% Growth
= $500,000 + $50,000
= $550,000

If we take the growth you’ve achieved and divide it by your initial contribution, we can work out what is known as your ‘return on capital’.

Your Return on Capital

= (Capital Growth ÷ Initial Contribution) x 100

= ($50,000 ÷ $120,000) x 100

= 41.67%

Consider this for a moment.

Your property grew by 10% but *your capital grew by 41.67%*!

Oh, and as I'll explain later, the tenant and the tax man helped you pay for your property too! Of course, if you were to sell (which I wouldn't recommend), you'd need to pay some taxes because you made a profit – but that is true of every investment vehicle in Australia that I'm aware of. So, for this comparison, we can ignore that.

Let's assume you do nothing further for another year and, in your second year, you again receive 10% capital growth.

Value of Your Property Portfolio at the End of Year 2

= Value of Your Portfolio at end of year 1 + 10% Growth

= $550,000 + 10% Growth

= $550,000 + $55,000

= $605,000

When you bought your investment property, it was worth $500,000. Now its value is $605,000. This means that after two years, assuming 10% growth each year, you've made $105,000 in capital growth.

Let's assume you do nothing further for another year and you get the same rate of growth. So that means for a 3rd straight year, you receive 10% capital growth.

Value of Your Property Portfolio at the End of Year 3

= Value of Your Portfolio at end of year 2 + 10% Growth

= $605,000 + 10% Growth

= $605,000 + $60,500

= $665,500

That's $165,500 in capital growth you have achieved.

Most people could not save $165,500 in 3 years.

Now let's look at your return on capital.

Your Return on Capital After 3 Years

= (Capital Growth ÷ Initial Contribution) x 100

= ($165,500 ÷ $120,000) x 100

= 137.9% Return on Capital.

So, the property market grew by 10% per annum for just three years consecutively, but your return on capital was an astonishing 137.9% over that period of time!

This sort of return may seem unbelievable at first glance, so please go through the numbers again. You'll see that they are true – and, based on what some markets have done recently, very conservative!

Put simply, you more than doubled your money in just 3 years!

So what do you think you can do with the extra capital gain you have got?

You use it as the deposit for another investment property.

In other words, your first investment property helps you get into the second investment property and so on and so forth.

You only need to come up with the deposit for the first investment property in this scenario.

Of course, you're not going to get a 10% rise in prices every year, regardless of whether you're in the share market or the property market. You have to know that. None of us know exactly when the capital growth will come. That is why a long-term 'Set-and-Forget, Buy-and-Hold Property Investment Strategy' works so well.

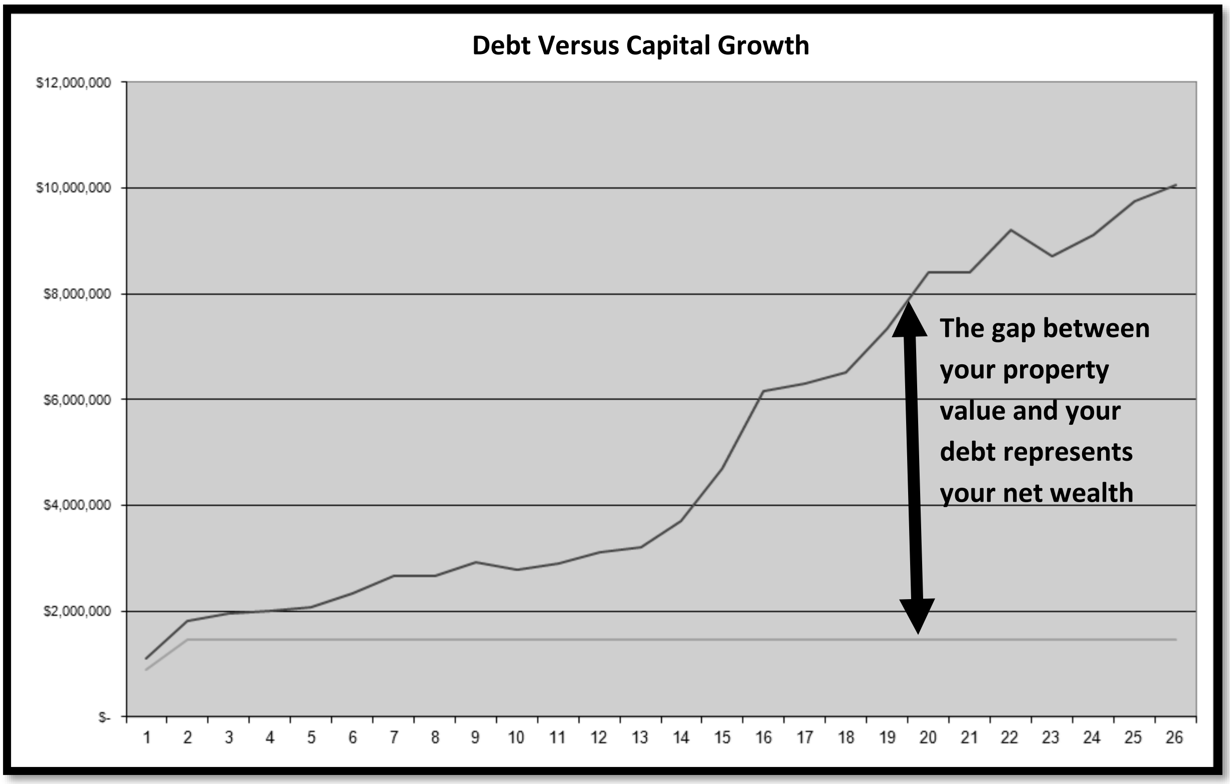
You see, it's not about timing the market, but rather, about your time spent in the market. As long as you have your portfolio set up correctly, getting the capital growth is just a matter of patience and time.

You can see how this works in the 'Debt Versus Capital Growth' graph shown below.

The dark line rising is the capital growth line. As you can see, it is not a nice straight line because no market rises at 10% every year. There are some slight dips, as any market will have slight corrections and periods of very little growth, represented by the line going flat, as well as boom periods, shown by a steep rise of the line.

The lighter coloured line indicates your debt. As you can see, at the start the debt rises because you acquired some property. If we assume you bought nothing further, your debt stays consistent. Hence, you see a flat line afterwards.

Over time, the gap between the 'capital growth line' and the 'debt line' increases. That gap represents your net wealth, which is increasing over time!



Can you now see why I call leverage 'the wonderful L word' and why it is so powerful in the property market? I've given you a lot of detail outlining how it works because, as far as I am concerned, <u>it is the biggest benefit</u> you can get from investing in property.

What is even more exciting, is that it is not the only one. Let's look at some of the other benefits.

2. You DON'T Have to Pay For the Property By Yourself

When you own your own home, regardless of how much capital growth you might get, you are wholly and solely responsible for the debt. You have to earn an income, pay tax and then pay for that mortgage each month *before* you can put food on the table. This is why I say your 'personal mortgage' is the debt that puts a roof over your head and also *a noose around your neck*. The bank owns you until you get rid of your personal mortgage.

With an investment property, the situation is quite different, because you have a tenant who pays a good portion of your mortgage.

You have the tax man who provides tax deductions in return for you providing rental accommodation to others (which can be put towards your investment property loan).

You could be in a situation where, because of the tax deductions and your tenant, your investment property only costs you about $50 per month or **less than $2 per day.**

Sometimes you can do even better than this.

There are times when the rental income and the tax benefits can even cover the total cost of the property. So, apart from the initial deposit, **the investment property costs you nothing! It is FREE.**

When I say this, it often causes people's heads to spin, but it is highly possible.

Many of our clients and members have bought property where the tax deductions and the rental income are GREATER than the costs of the property. So the property actually *pays you an income*.

It's like getting a raise that you didn't need to work for. When people understand this, they start to get really excited.

The key concept to understand is that you are getting assistance from the tax man and the tenant to hold your investment property. It's not all on you, which is fantastic!

NOTE: I NEVER advocate investing in property just for tax purposes. You want to invest for capital growth and wealth creation. The tax benefits should simply be used to help you minimise the holding costs of your investment property, which is their purpose anyway.

3. Your Property Can't Just Disappear Overnight

If you've ever read anything about or been involved in the share market, you know that shares can disappear overnight. During the Global Financial Crisis of 2008/2009, investors woke up to horrifying news that a particular company they had invested in had gone bust!

The company was worth zero *and* they had lost every dollar they had invested. One of my friends woke up one morning to discover the $50,000 he'd invested in the stock market had vanished overnight! It was gone and he had no way of getting it back.

Thankfully, this does not happen with property. Things can go wrong, but, you will still have a house. That's why I like bricks and mortar.

If you think the Global Financial Crisis won't happen again, consider what happened to the Australian Stock Market (ASX) at the start of 2016? In the first 11 days of the year, $100 billion was wiped off the ASX.

And from February 20, 2020 to March 16, 2020, the ASX dropped 30% or in dollar terms, over $130 billion was wiped off the ASX.

Now, some might argue that the market will rebound. I understand that, but I for one don't want my financial future subject to such volatility. Do you?

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Summary

Now you know why property is my preferred wealth creation vehicle. Let's look at a quick recap of the three reasons:

- Property investment provides more leverage, so that you can get wealthier quickly and more safely
- The Australian property market is far less volatile than the Australian share market
- You have others helping you hold the property, namely the tenant and the tax man

Unfortunately, it isn't all good news in property investment. As I said at the beginning of this section, there are some disadvantages. You need a higher amount of money up front, you need to qualify to borrow the required amount of money from the bank and you can't always sell in a hurry. However, over the long term, the advantages of investing in quality residential property far outweigh any disadvantages.

Now that we've covered why I believe residential property investment is the best and safest way for you to create wealth, let's get stuck into the different criteria you need to understand before you buy your first investment property… but first, let's begin with the most important person in your property investing journey – You!

#3 Your Goals and Reasons Why

Over my career, I've had the pleasure of meeting hundreds of prospective property investors and I always ask them why they want to buy an investment property.

I often receive one of the following four responses:

1. "I don't really know, but it seems like a good idea"
2. "Prices are going nuts, so we thought we better get in"
3. "My accountant says I should be buying property because I'm paying too much tax"
4. "I need to do something for retirement"

Except for the fourth reason, none of the others seem extremely well thought out. Let's now have a look at why people fail when investing in property and why having unclear goals can be a major contributing factor.

The Four Reasons People Fail When Investing in Property

1. Buying the Wrong Property

One thing many people don't realise is that an investment property that is right for one person may not necessarily be right for another. However, if your motivation to buy an investment property is that "prices are going nuts and I better get in before it's too late" or "my accountant says I need to buy a property", then *any investment property* will do.

You may not realise it, but that's a scary position to be in because you're less likely to take the time to do the right due diligence to ensure that you're buying something that is actually right for you, your family and your financial future. This can be extremely costly over time.

2. Failing to Consider Long-Term Cash Flow and Borrowing Implications

From October 2020 to December 2021, property prices were on a near vertical trajectory almost everywhere around the country. Record sales and auctions achieving prices well in excess of the reserve almost became the norm. Many people bought property hoping that this price rise will continue – hopefully indefinitely.

Rationally, we know that can't happen. Prices will start to level out, as they always do and always must. I'm not talking about a crash, but more like a slight correction and certainly a period of flatlining and next to no growth.

The problem is that once this happens, especially in our more expensive areas which had lower rental yields to begin with, many investors will be left with a property that won't grow in value for a significant period of time and the rent and tax rebates won't cover the cost of the property either.

Those poor investors will have to fund the property from their own hard-earned savings. I can see this happening a lot in the next few years. In fact, many investors are facing this cash flow strain right now.

Interest rates are currently at record lows so, if cash flow is strained right now, imagine what is going to happen once rates start to increase?

Whenever you buy an investment property, you must consider what could happen if the market conditions were to change. (Ideally you want a property that gives you capital growth and then rental growth so your overall financial position keeps improving) You are less likely to do this though, if your motivation to purchase is because “prices are going nuts, so we thought we better get in before it’s too late” or “my accountant says I should be doing it because I’m paying too much tax”.

3. Getting Swept Up in the Moment and Buying Based on Emotion

I’ve met many investors who have rued their decision to buy a particular investment property because they got caught up in the moment. Lots of people were buying, friends and family told them they should buy and they didn’t want to miss out. So, they jumped in!

Unfortunately, they didn’t do their due diligence; they bought based on how they felt and are now stuck!

If your motivation to get into the market is based on what others are doing, greed or what the media is telling you to do, it is very easy to buy something in the heat of the moment, and find that you regret it later.

For example, I have met many people who tell me some version of the following story:

“We were on holiday and the area was beautiful. We just went to look at something out of curiosity and we ended up buying a holiday rental apartment.”

Unfortunately, they then find that over the long term they can’t get the rent they wanted, the price growth was not there and this ‘beautiful property’ is now a cash-flow drain!

Buying an investment property is NEVER something you should do in the heat of the moment or because of your gut instinct.

Mistakes are so easy to make when you’re not clear about your goals and why you want to buy an investment property. It’s so easy to get swept up in the emotion of it all, to buy the wrong property and fail to consider the long-term cash-flow implications.

Not being clear about your goals can also cause you to make another mistake:

4. Wishing They’d Bought Earlier

If you were able to, don’t you wish you bought just one extra property in a capital city 10 years ago? How much extra money would that have given you today?

Let’s not go so far. How about if you’d bought an extra property towards the end of 2020 – how much further would you be ahead now?

Unfortunately, when you don’t know what you want to achieve from a financial perspective or are not focussed on your goals, you let opportunities pass you by that can make a massive difference to your future financial situation. Regret then becomes a bitter pill to swallow.

Most people who fall into this bucket then believe they have missed the boat and give up on their investing journey altogether. As a result, they only end up further behind from a financial perspective. Yet the truth is there are always opportunity to invest as you'll see later.

For now, hopefully you are starting to see the importance of having some sort of clear idea about what you want to achieve and where you want to go. It's the first step in any investment plan. You need to start with the end in mind and have some sense of clarity about why you're buying. Only then can you decide what to buy.

Getting Clear on the End Game

You may not currently know exactly what your goals are and that's okay.

Let me walk you through a brief exercise I do with almost all of my clients, as it may help you.

Step #1: Take out a blank piece of paper. At the top of the page, on the left hand side, write down the current year. On the right hand side, write down the year in 10 years' time. Draw a line between the two. This is your investing time line. Of course, this could be more than ten years, but let's work with ten for now.

Step #2: Under the future year (10 years' time), write down three things you want to achieve from a financial perspective. Some examples could be:

1. Pay off your personal mortgage
2. Put your children through school
3. Have a certain number of properties that will help fund your retirement

Step #3: Now go back to your time line for the future year and mark off any years where you believe you will have a significant financial milestone. For example:

- In seven years' time, one of you may want to reduce your work hours and go part time
- In five years' time, you may pay for a child's wedding
- In three years' time, you may upgrade your car or do some renovations to the house that you've wanted to do for a long time
- In the next two years, you may be planning for children and have to consider dropping down from a two income household to a single income household.

Step #4: Next to each of the financial milestones you've written down, write an approximate figure to represent how much money you think you'll need for each one.

This completes the exercise and, once done, your timeline should look something like the example below.

2022	2025	2027	2032
	Goal: Car upgrade = $30,000	**Goal:** Home Renovation = $100,000	**Goal:** Zero Personal Mortgage 4 Investment Properties

You can see that by just taking the time to do this exercise, you end up having a lot more clarity about your end game. You know how much money you need for personal requirements, such as a new car or renovations, as well as seeing what you're trying to achieve in the longer term.

Having this kind of clarity will now help you to decide what sort of property you need to acquire. It will also help reduce the likelihood of you making wrong decisions, while simultaneously helping you stop procrastinating and missing out on opportunities.

Now it's your turn.

As I mentioned earlier, one of my aims with this book is not just to make it theoretical, but to actually help you to get some answers for yourself so you have a platform from which to launch into your investing.

Therefore, I'd like you to now pause and actually do the exercise, rather than just going on to read the next chapter. For many of my clients, this exercise has been the single most important thing they did to get their investing on track!

Go back to the section in this chapter entitled, "Getting Clear on the End Game" and complete the four steps.

Enjoy the exercise and, once you're done, I'll see you in the next chapter where we talk about what type of property investor you are.

#4 What Type of Investor Are You? (Your Appetite for Risk and Your Investing Time Frames)

Having goals is great, but you need to ask if they are realistic for you, based on your risk profile.

The longer the timeframes you have, to achieve your goals, the less risk you need to take (because you have more time). If your timeframe for achieving your financial goals is seven years or longer, this book will be ideal for you, as the strategies we'll be talking about are all low risk.

However, if your timeframes to create wealth are less than seven years, you will need to have a greater appetite for risk. For instance, if one of your goals is to make an extra $200,000 in the next 12 months through property investment, a 'buy-and-hold, set-and-forget' strategy is unlikely to get you there.

You'll need to look at a more speculative strategy – one where there is a greater risk, greater involvement required by you and a greater potential for profit in a shorter time (as well as a greater chance of making a loss).

One of my philosophies is that when I invest in property, I want to profit through the property and not through work. You want the market to do the heavy lifting for you and not have everything rely on your own personal effort. You're already busy. You work hard enough in your job and have to juggle family and other commitments as well. So, the last thing you want is more work to do on the investment property front.

This is why I always look for low-maintenance properties in good areas that will grow in value over time – a 'set-and-forget strategy'. This is what I advise my clients to do as well.

You also need to consider if you are 'investing' for long-term wealth creation or extra cash flow. I've met some 'investors' who have employed a 'buy-renovate-sell strategy' profitably over the last 15 or more years.

What you may not know is that every single one of them has said that they wished they had held onto at least some of their properties, because they would be far wealthier – and far less tired. All they ended up doing was replacing their previous job with another one; renovation. Others continued to employ the property renovation strategy around their jobs.

It's little wonder that they were exhausted and cranky that, despite all of their efforts and sacrifices, others who had sought the right advice and employed a more passive 'set-and-forget strategy', which involved far less work, had created more wealth than they had.

I'm not saying that renovating is bad, because you can use it to add value to an older property. It's just that if I was to employ that strategy, I'd want to buy, renovate and keep the property so that I can take advantage of the future capital growth.

You learned earlier about the power of a 'buy-and-hold strategy', using leverage. Although far less sexy than certain "Get Rich Quick" strategies that others talk about, I still believe it is the safest and best wealth creation strategy over time.

Yes, Buy-and-Hold Investing may seem like the lazier way to invest, but if it's more profitable over the long term, why would you not take advantage of it?

So, make sure you get clear on your timeframes and appetite for risk. There are many different property investment advisors out there, many of whom are very good, who recommend slightly different strategies based on their expertise and experience. It is only once you are clear about what you want to achieve, the time frames in which you want to achieve your goals and your appetite for risk (your risk profile) that you can determine which advisor is right for you.

The rest of this book is about helping you if you have a low appetite for risk, you want to employ a 'set-and-forget strategy' and you want your properties to work hard for you (rather than you working hard on your properties). So, if you've decided that this is who you are, let's keep going!

#5 Why Are You Buying? The Eternal Questions Around Cash Flow and Capital Growth

Once you understand your goals and timeframes, you need to be clear on the reason/s why you are buying an investment property.

Are you buying for cash flow or are you buying for capital growth?

There are many who talk about buying for positive cash flow. It's a very sexy topic because it allows you to believe that you can replace your income and stop working. In other words, if you have enough positively cash-flowed properties, you can quit your job and live off the net rental income.

Is it possible?

It absolutely is, especially if you follow the strategies in this book. However, don't be fooled. It will take work to get you there.

You will need to invest strategically, get the right knowledge and have a team of people around you helping you to achieve your goals.

I mention this because I want to make sure that you don't get the wool pulled over your eyes by someone who promises that you can buy a few cash-flow-positive properties and then retire. Unfortunately, that was the promise given to those who invested heavily in the latter stages of the mining boom – and now many of them are working harder than ever just to make the payments on their investment properties.

What's even worse is that they can't sell their properties because they are worth less than the actual mortgages themselves.

It's a horrible situation to be in – but it is the nightmare that unfortunately many who were lured in by the dream of free money, are now facing.

You also need to consider the vacancy rate of a positive-cash-flow property. I'll talk more about this later but, to state the obvious, an investment property can only give you a positive income when it is rented. When your positive-cash-flow property is vacant, it is going to cost you.

You need to be certain that if you do buy for positive cash flow, you buy in an area with a really low vacancy rate or, rather a VERY high likelihood that your property will be rented and stay rented during the timeframe you plan on holding the property.

I mentioned earlier that the primary reason why investment property is my preferred wealth creation vehicle is leverage.

When you invest in areas purely for positive cash flow, you often will not get much in the way of capital growth.

In my earlier example, you may recall that it is capital growth that you require to gain leverage and accelerate your wealth.

If you don't get capital growth, you can't leverage. So, even if you don't have a disastrous experience, like I mentioned earlier about investing at the wrong time in mining-related areas, by investing purely for positive cash flow, you can still end up missing out on the biggest advantage of all when it comes to investing in property – leverage.

Let's look at investing for capital growth.

I've met many people who live in capital cities who saw great price growth in their homes. They decided to use the increased equity they had (I'll show you how to do this a little later) to invest in the same capital city they lived in.

Although some have done well following this strategy, many have come unstuck because of a problem they failed to consider.

The rental returns in capital cities, especially close to the inner city, are often terrible. Even if you receive some tax benefits via negative gearing, you're often still faced with a huge cash shortfall. This means that each month you need to reach into your own pocket and use your hard-earned money to help fund your investment property.

Now if that shortfall was less than $50 or even 100 per month, it probably wouldn't be a problem. Unfortunately, it's often hundreds of dollars per month, which can really cash strap a potential investor. There can also be some nasty, hidden cash-flow surprises – which I'll go into later.

If the income from the property does not come close to covering the mortgage and other costs of the investment property, you've now created another problem.

You can't leverage – which is the biggest advantage to investing in property.

Of course, if the property increases in value, you can sell and make a gain (after paying capital gains tax). However, the moment you sell a property, you lose any and all future capital growth, because you don't own the property anymore. Yes, you would have made money and that's never a problem.

However, I want to show you how to maximise the return for your investment and hard work. The best way to do that is with leverage.

Unfortunately, if your investment property has a high negative cash flow, when you go to a bank to borrow money against the capital growth you've had, you may not qualify for the increased loan.

If this happens, it can be game over for you!

If the banks won't give you any more money, you can't leverage. Unfortunately, the banks and financial institutions are your judge and jury in this game of property investment – and as you probably know, they keep changing the rules and moving the goalposts.

Buying a property that is tipped to grow in value, but has a high negative cash flow, can prevent you from leveraging AND affect your lifestyle.

So if buying for positive cash flow can hurt you and buying for capital growth can cost you, what then is the answer?

A few years ago, a popular answer was that you needed to split your portfolio. You buy some properties for positive cash flow with little or no growth potential and some for capital growth that have a negative cash flow. The theory was that the positive-cash-flow properties would neutralise the negative cash flow from your capital growth properties.

Depending on how the numbers worked out, you'd need anywhere from one to three positive-cash-flow properties to neutralise a negative-cash-flow property.

Although this seemed to make sense, there were a number of flaws in the theory. For instance:

1. What if one of your positive-cash-flow properties was vacant? We went through this situation above, but it's now worse.

   You were relying on the positive cash flow to help fund the negative-cash-flow property. However, when the positive-cash-flow property is vacant, *you* have to pay the interest on the mortgage AND help fund the negative-cash-flow property as well. This is not a situation most people can afford.

2. How many people are in the financial position of being able to buy multiple properties in one go? Not many.

3. How many people feel comfortable buying so many properties in one go? Again, not many.

So, although the theory was easy to sell, it never caught on because it just was not practical or sustainable.

What is the answer then?

The answer is, you need to look at *both* future expected capital growth <u>and</u> cash flow.

Capital growth is the ultimate aim. It is the destination. Cash flow is the vehicle. The journey is leverage.

Let me say that again:

1. Capital growth is the destination
2. Cash flow is the vehicle
3. Leverage is the journey

Once you understand this, it gives you a framework to invest around.

So, when you're looking to buy an investment property, the first thing to look at is the future expected capital growth prospects.

If there's one thing 2021 showed us, it's that capital growth is not just limited to Sydney and Melbourne. Many of our smaller capital cities and larger regional areas have experienced significant capital growth and many will continue to do so for some time. I'll share more about how to find these areas shortly.

Once you're happy with the capital growth prospects, you then want to look at the cash flow of the property *and the factors that affect it*, which we're going to cover later. The cash flow is key because you don't want your investment property to affect your lifestyle. You also need the cash flow to help you tap into equity and apply leverage, which is the final part of the investment framework.

There you have it. The answer to the question of capital growth versus cash flow is that you need both. A slight negative cash flow is okay, as long as it is manageable for you AND, over time, you expect the property to end up becoming neutrally or positively cash flowed.

Now that we have an actual framework to invest with, we know what our investment goals are and we've identified what type of investor we are, let's keep going!

#6 How Do You Get Started?

Completing the exercise in the earlier chapter will hopefully have given you some clarity around the direction you want to take. Now you'll want to know how you actually get started with property investment.

Here goes…

The first thing to do is work out how much you have for a deposit.

When it comes to a deposit, there are only two ways to acquire it. The first is to have cash in the bank and the second is to have equity in your home or an existing property.

1. Cash in the Bank

If you want to use the cash you have in the bank, the question is not how much you actually have (which is the easy part), *but rather, how much do you need to keep aside as a financial buffer* (ie: not to be used as part of the deposit)*?*

For instance, let's say you have $100,000 in the bank. In most cases, I would *not* recommend putting all of that money towards an investment property. Instead, I'd look to see how much you require as a buffer for unexpected expenses. If you're happy with $20,000 as a suitable financial buffer, then you have $80,000 to put towards a deposit on a property.

The reason I'm a big believer in buffers is because, although you understand the desired destination you want to arrive at by investing in property (which is to make a significant amount of money), life can throw you an unexpected curve ball at any time along the way. The question is, can you handle the journey?

I want to ensure that you will still sleep at night. I don't want you to have to worry about what happens if the car breaks down and you don't have any money left to fix it because you put everything you had into an investment property.

2. Available Equity

Using the equity you have on your home, even if you still have some debt on it, is the most common way to get into an investment property. You tap into the equity you have, and it becomes a deposit to fund your investment property.

A lot of people think that the equity in their home is the 'market value' of their home, minus what they owe. For example, if you think you can sell your home for $1.2 million and you owe $500,000, then $1.2 million minus $500,000 is $700,000.

This equity is available only if you were to sell (minus agent commissions).

In the scenario where you want to keep your home and access the equity you have for a deposit, the equation changes.

You need to look at what I call 'available equity'.

In this example, you're going to keep your home and refinance. So it is not the 'market appraisal' that matters (i.e., what an agent thinks he can sell it for), but rather a 'lender's valuation'.

A lender's valuation is generally the amount the bank thinks they can sell the property for if you run into financial difficulty and are unable to pay the loan. If that was to happen, the bank would sell your home to recover their debt. In today's lending environment, a bank's primary motivation is to protect itself, so a lender's valuation is always going to be a little less than the market appraisal.

If we go back to our earlier example where a real estate agent thought he could sell your home for $1.2 million, it's reasonable to expect that a lender's valuation would only come in at $1.1 million. Yes, that's $100,000 less!

That's the first difference.

The second difference is that the bank won't let you access 100% of the equity because, once again, they want to protect themselves.

In most cases, I don't advise clients to borrow more than 80% against their home. Let's look at how to work out the 'available equity in your home':

Available Equity = Lender's Valuation x 80% – Existing Debt

So, in this example, the available equity
= $1.1 million x 80% – Existing Debt
= $1.1 million x 80% – $500,000
= $880,000 – $500,000
= $380,000

As you can see, this is nearly half of the earlier figure.

Now it's your turn to work out the equity you have. Grab a calculator and then fill in the blanks below.

Market Appraisal (MA) = ____________________ (This is what you think you can sell your home for)

Lender's Valuation (LV) = ___________________ (Take about 5% or more off the market appraisal)

Maximum Available Equity (MAE) = LV x 80% = ____________________

Existing Debt (ED) = _________________ (Put your existing mortgage here. If zero, write down zero)

Available Equity (AE) = MAE – ED = ______________

Now you know how much available equity you have.

This is not the whole picture yet.

Many people come to me saying that they have access to hundreds of thousands of dollars in equity (because their home has gone up in value) and they think that alone is enough to invest in property.

Unfortunately, this isn't the case because you also need to have sufficient borrowing capacity to access that equity. If you don't, your bank simply won't give you the money.

Many people in Sydney and Melbourne face this situation today. Their homes have risen considerably in value and they want to use the equity to further their wealth creation. Unfortunately, because their mortgages are also quite high, they don't have the borrowing capacity to do anything. So, the rise in value in their home is of virtually zero benefit to them, at least from a perspective of investing.

Make sure you check with your broker or bank manager to find out how much you can borrow, based on the equity you have and your borrowing capacity.

#7 What Can You Reasonably Afford?

When you're buying an investment property, you need to work out what you can afford. That might sound really obvious, but please bear with me.

When I talk about 'affordability', I often hear one of two things:

1. "Won't the rent cover the costs?" or
2. "With the rent coming in, even if it does not cover all the costs, I can afford the difference."

That may seem to be the case, but let's consider the following four questions:

1. What if the rent drops?
2. What if you don't have a tenant for a while?
3. What if you have unexpected additional costs?
4. What if you lose your job?

These questions are all necessary considerations when you're looking to invest. As I mentioned earlier, life can throw you an unexpected curve ball at any time and you need to be ready for it.

Even if your property has a net positive cash flow (i.e., the rent is more than all your costs), if the property becomes vacant, you still need to be able to afford the repayments.

So, let's look at...

How to Work Out Your Minimum Required Financial Buffer

There are four steps you need to go through to determine if you have enough money put aside *after* you buy your investment property. Let's look at them.

1. **How much do you spend on average each month (including your home loan repayments)?**
   If you're not big on budgeting, consider your income last month and how much was left at the end after all of your spending. Your income minus what was left is what you spend each month. If there was an unusual expense last month, then look at a previous month when there wasn't. You're just looking for a ball park figure here.

   For example, let's say you spend $4,500 per month.

2. **Multiply this figure by 3.**

I believe you should have enough money put aside as a buffer to handle at least a three-month period between jobs.

For this example, three months of a buffer is 3 x $4,500 = $13,500

3. **How much would come out of your own pocket if your investment property was vacant for three months?**
   We are looking at zero rent here so, what does the property cost you each month? Multiply that figure by 3.

   Let's say a property costs you $2,500 per month with no rental income. When I multiply that figure by 3, I now get a figure of $7,500.

4. **Add the two final figures from 2 and 3 above.**
   The figure you get is how much you need to have put aside as a financial buffer.

   For this example, I add $13,500 (from step 2 above) and $7,500 (from step 3 above) to get $21,000. That's how much money would be needed to put away as a financial buffer.

Take a moment now to complete the above exercise for yourself using your own situation and figures. Having the right buffer is crucial for your long-term financial success – and peace of mind.

As you can see, these first criteria are directly related to your goals, what you can afford and planning for contingencies. These are fundamentals most people NEVER consider when they invest, so by taking the time to complete the exercises, you're giving yourself every chance of avoiding painful mistakes. If you've been skipping ahead without doing the exercises, now is the time to pause, go back and do each one, because next we start looking at... where to invest.

#8 Which Market Are You Going to Invest In?

One of the most common questions I am asked is, "What do you think is going to happen in the market?"

Almost everyone wants to know about what's going to happen in the future. Unfortunately, my crystal ball broke a long time ago. Nevertheless, I'll often respond with the following question, "Which market are you referring to?"

That's when I'll generally get a blank look.

You see, Australia is not just one market. Every state behaves differently and within every state, different areas perform differently.

So, talking about 'the property market' makes no sense.

For instance, in the years 2012 to 2017, prices in Sydney rose astronomically. This was despite various US based 'experts' predicting prices would crash, but that's another topic for another time. Regardless, property prices in Perth stayed relatively flat and even went backwards in some suburbs during this time.

In 2021, almost every market went up in value (I do say almost because some barely moved). Yet, this is highly unusual. Normally markets move in cycles and different markets perform differently. From 2022, we're starting to see this happen again as some markets slow down while other markets are still growing with a lot of momentum.

In our property investment seminars and webinars, we often do a roundup of the current position of the market in each state and what is expected in the future, but there are never any guarantees. There are, however, certain things you can look at to see what is likely to happen in the future. I'm going to cover these shortly.

I encourage you to open your eyes to the possibility of investing outside your backyard.

Choose where you want to live with your heart but choose where to invest with your head. Although that advice is sound, I understand there is a lot of fear associated with investing in an area that you are unfamiliar with, even though you might see the financial benefit of doing so.

That's why we're about to look at several key factors to allay your fears and minimise the risks.

When you're looking at different markets, it's also important to consider your timeframes, which we covered in an earlier chapter.

For instance, mining towns in North Queensland and Western Australia were very much in vogue from 2008 until 2012, and a lot of people got very excited about getting high rents. Those rents COULD NOT continue forever. So, for those who bought a property in a mining town in 2011 and planned to rely on the high positive cash flow for another seven years, they unknowingly set themselves up to fail.

The writing was already on the wall that it was quite likely the rents would drop – as they did towards the end of 2013 (and earlier, in some towns). When people bought the property, they might have felt very proud of their decision. However, just a couple of years later, this great investment could very well have ended up being a disaster for them.

For those who had planned on selling in 2016 to have extra cash or had planned on using the positive cash flow for their retirement strategy, they would now be in a lot of pain.

Always remember your investing timeframes and consider the following three questions:

1. How long do you plan on owning the property for?
2. Is the market likely to continue to perform well over this timeframe?
3. Most importantly, is NOW the time to be entering the market?

Getting clarity around these three questions is essential if you want to prevent painful mistakes and put the odds of choosing the right investment in your favour.

Nobody has a crystal ball, but let's look at some of the key fundamentals which will help you decide where to invest.

#9 What are Credible Independent Forecasts for Capital Growth?

The first thing that you want to look at is what experts are saying about the future capital growth of the area. I'm referring to credible, independent research here. For instance, Core Logic is a company I feel very favourable towards. They are research experts whose aim is to provide well-researched information, and I use them a lot.

As you do your research, you will find conflicting reports and opinions. That's fine. What you're looking to do is use the experts' research as a starting point for you to do your due diligence.

Australia is a country of many markets and it's almost impossible for you to research every single market that's out there.

This is another reason why people who try to invest by themselves stick to their local market – and unfortunately, over the long term end up either missing out on opportunities or making some painful, expensive mistakes. Property investment is a team sport. You need to have someone on your team who can access this research for you and then provide it to you in an easily-digestible format.

Once you have the numbers for expected capital growth in different markets over your investing timeframe, the next thing to look at is... infrastructure.

#10 What Infrastructure is Going into the Area?

Credible independent forecasts for capital growth are great but, once you have those, you want to know what's happening in the area to support the claims for growth.

Key Question to Ask: What are the State Government's and local council's plans for future development in the area?

What I'm referring to here is infrastructure development.

For instance, some of my favourite areas to invest in right now (ie: at the time of writing this book) are areas in South East Queensland. Some of the infrastructure being built in these areas include:

- A brand new $1 billion Westfield Shopping Centre due for completion in two years' time
- An exit off a major highway into this area, which will help its residents get to the major cities far more easily
- A number of new schools have opened up here (one a year ahead of schedule!) to handle the growing numbers of families moving into the area
- Easily accessible public transport with two train stations approximately six minutes away
- Employment growth in one area is expected to be at 6.8% over the 20 year period I'm looking at, which is more than double Australia's national average

This illustrates a key point. Statistics are great, but you need to have something to compare them with. You either compare them to the state or national average, as I did here, or you compare them to the equivalent statistic at a past point in time to work out the difference.

As you can see with these particular areas, there are a lot of things actually happening to support the growth forecasts.

When you're doing your research, there is a temptation to base your investing on infrastructure that is expected to happen, rather than actually happening.

For instance, the exit off the major highway that I mentioned above has been planned for nearly 20 years, but construction only began a couple of years ago.

Beware of promises and hot air.

Only base your research on plans that have actually been approved or funded and, even better, where construction, or at least excavation, has begun.

This brings us to the next criteria to consider... when to buy.

#11 When Should You Buy into a Market?

Let me begin this section by looking at the two riskiest times to buy property for future capital growth.

1. At the so-called 'bottom end of the market'
2. When everyone, including your Uber driver, says to buy "because prices are going to the moon."

This may seem counterintuitive, because most people look to buy at these times. So, let me explain why you shouldn't.

Firstly, let's look at the bottom of the market.

When someone says that the market has reached the bottom, my question is, "How do you know?"

The response I receive is something along the lines of, "Well, it just *can't* go any lower!"

"Why Not?"

"It just can't!"

That's generally when the topic of conversation changes.

You see, nobody knows exactly where the bottom of the market is. Prices could always drop further and, even if they don't, what signs are out there to support the belief that the market will now start rising?

Even if you do happen to buy at the bottom end of the market, if prices simply go sideways for the next few years, you end up missing out on the capital growth you could have had elsewhere.

So, at the 'bottom of the market' is a risky place to buy.

Secondly, when almost everyone says to buy in an area, that's when I'll tread extremely cautiously. It is quite likely that by this stage the market has already had the majority of its growth and it is time to look elsewhere.

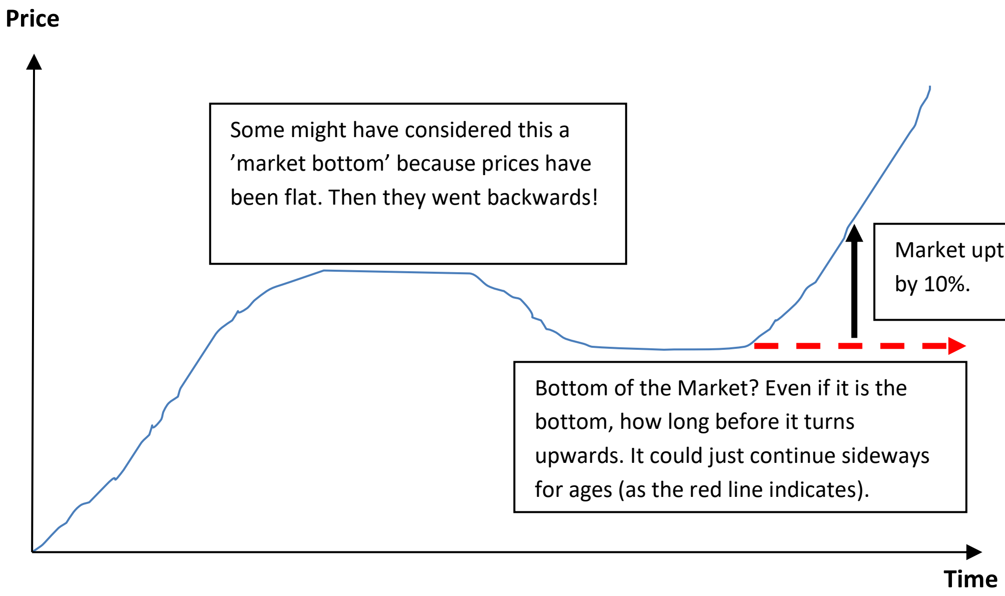
So, if you shouldn't buy at the bottom of the market *and* you shouldn't buy when everyone else tells you to buy, then…

When Should You Buy?

Here's the 'rule of thumb' I like to apply.

I want to see a 5% to 10% upturn in prices after a flat period, coupled with infrastructure investment and long-term expected population growth. Let's look at an example to illustrate this by using a price–time graph.

Price–Time Graph



The time to buy is once you've seen prices rise by 5-10% from a 'bottom', coupled with solid reasons to indicate why these prices have risen.

People may say that you're missing out on capital growth by waiting for the initial upturn.

That is true!

However, unless you actually have a working crystal ball, you're not going to know exactly when prices will start to increase. So, it's better to wait for a clear indication.

You want to invest safely and stack the odds in your favour to get good capital growth over the next few years. Following this process helps you do that with the minimum of risk.

There are a couple of extra layers to add.

1. Ensure that any price rise is supported by infrastructure investment and population growth. These two factors will help keep prices rising.

2. Ensure that any price rise is <u>not</u> being driven by investor greed.

   Back in the early 2000s, when I was just starting out in my investment career, a particular suburb of Sydney was being recommended to me by multiple people.

   I didn't like the area.

   It was a lower socio-economic area, there was no large population growth and I didn't see any infrastructure coming in to support price growth. Lots of people were telling me to buy here and it took me a while to work out why.

Sydney had just had a property boom. Prices had increased substantially and investors were now looking at what areas were still affordable. This particular area met the price criteria, so a lot of investors, hungry to share in the gains the Sydney market had made, jumped on board. Thankfully, I wasn't one of them.

Prices had already increased by $100,000 at the time that I was looking. They increased another $50,000 in the next 12 months and then proceeded to decrease by $150,000 over the next 18 months, back to their original prices before they had been artificially pushed up. Had I invested, I would have been down $100,000 – which was more than the amount of money I had for a deposit in the first place.

Sometimes the best investments are the ones you don't make.

The reason for the drop was that the area had no fundamentals for price growth. It was just market greed on the back of a boom, which soon subsided, leaving many in a lot of pain.

By the way this area did eventually boom, nearly 12 years later. I didn't want to buy something and wait for 12 years to get any substantial growth, while also having to fund the mortgage myself. That didn't make a lot of sense to me.

So, always look for the reasons behind price growth. Don't just invest because everyone says it's a hot spot. Use what I am showing you in this book. Do your research. Ensure you are confident that the price growth is supported by infrastructure investment and population growth.

Of course, if prices have already risen by more than 10%, you can still look to enter the market as long as you expect the growth to continue. This will generally be the case if demand is greater than supply.

You generally want to hold an investment property for at least seven to 10 years. Over that timeframe, you will not get growth every year. You will see a flatlining at some point. That's realistic.

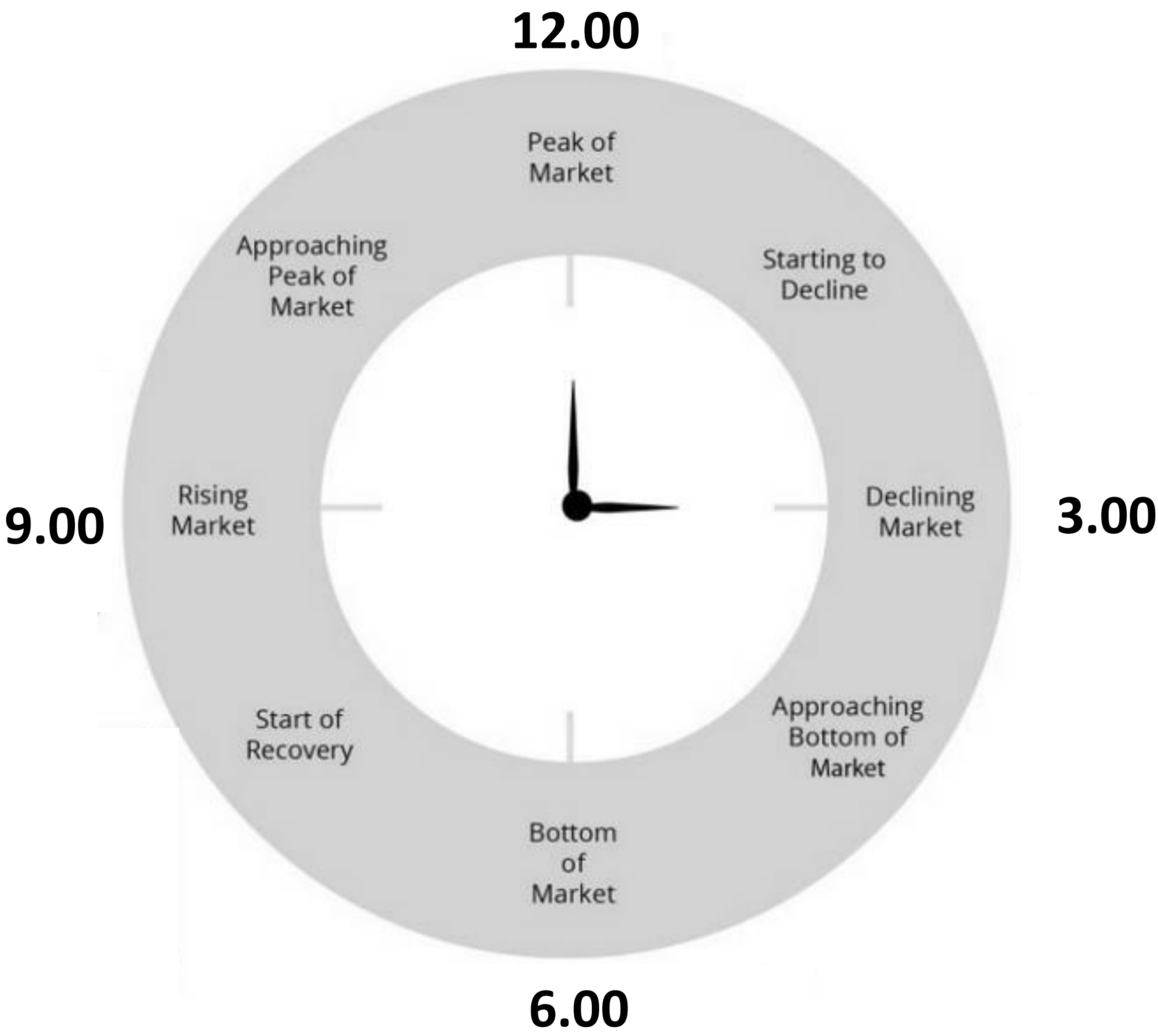
However, if you can buy in an area that is expected to give you capital growth in the next two to three years, you're off and running. You can then use that increase in equity to grow your portfolio and buy investment properties in other areas, using the power of leverage.

The good thing is that once the market starts to plateau, as long as the economic fundamentals are still positive, rents generally start to rise, and your cash flow improves.

When you apply the criteria I'm explaining here, the good news continues on multiple fronts. ☺

The Property Clock

The 'Property clock' is one of the most well-advertised concepts for investing in property. Let me quickly explain what this is:



A property clocks says that if a market is placed between 12 and 3 o'clock, it is a declining market. Between 3 and 6, the market is approaching the bottom; between 6 and 9, it's a rising market and between 9 and 12, the market is set to be approaching its peak.

I have never recommended using this tool at all.

Although it may help to refer to the status of a particular market, I wouldn't use it to determine when you should invest. I prefer to use the price–time graph.

The property clock assumes that you know where the bottom of the market is – but, as I asked earlier, how do you know it's the bottom? You don't and that's where the risk lies.

Good investing does not come from clocks. It comes from understanding data and the fundamentals behind capital growth. That's why the price–time graph works so much better.

It uses actual prices and trends, as opposed to a fictitious clock concept. If you understand how to use it to determine your entry into the market, it is a much safer way to invest.

Of course, you can't always perfectly time the market, but at least having a framework to work around will help you determine whether you should invest in that market now or not.

Everything I'm sharing with you is about investing safely and minimising risk. The price–time graph is a key tool to help you achieve this.

When Should You Sell?

Although this book is all about how to buy investment property, I believe it's important to know the end game as well. That's why the first things we worked on were your investment goals and timeframes.

Let's now spend a little bit of time looking at when the best time to sell an investment property is.

It's a very popular and accepted concept to never ever sell a quality investment property.

Although that is an ideal scenario, it can be wishful thinking. You need to be realistic.

Consider the following situation:

You have built a big portfolio, which has had great capital growth. You have now retired and want to realise some cash. In such a situation, it may make sense for you to consider selling part of your portfolio.

Of course, you won't sell if you don't need to, especially if you're still experiencing great rental returns with expected future capital growth. It all depends on your situation, the lending environment and your goals.

I highly recommend getting some advice from an investment property advisor. You don't want to sell too soon and miss out on any future capital growth. However, if there is a change in the economic fundamentals of an area, which you believe could lead to a price downturn, then it might be the right time for you to sell and either keep the cash or look to invest elsewhere.

It's best to remain open to the possibility that selling at some point in the future may be the best strategy for you.

#12 What are the Demographic Trends and Population Growth of the Area?

One of the key determinants of price growth, as I've alluded to a few times, is population growth. To be more accurate, if the rate of population growth is fast enough that demand for property is greater than supply, prices should increase.

If this was a theoretical exercise in economics, I would say that when demand was greater than supply, prices would *definitely* increase. However, there are other factors to consider, such as interest rates, the willingness of banks to lend money against property in that area and employment rates, to name a few.

For example, Sydney had an undersupply of housing (ie: more demand than supply) for many years prior to 2012. Yet prices remained relatively flat until 2012 because there were other factors that needs to come into play, primarily interest rates dropping.

In the long term though, if the population is set to increase, then you are putting the odds of future price growth in your favour.

You also want to see an increase in infrastructure development to support the population growth.

New schools, shopping centres and good transport channels are some of the key factors to look at to see if the population growth is sustainable. You want people to move into your area and then stay there long term.

To help assess this, along with the population growth, you want to look at the demographic mix. What types of people are moving into the area?

My Preferred Demographic Trend

The demographic trend I most like to look for is young families. If the population growth is being driven by young families, it's quite likely to be stable growth, especially if there is sufficient infrastructure being put in place to support them.

Once a young family moves into an area and the children start school, families will prefer to stay until the children finish school. They are not a transient population that might move every year. They are looking for stability.

One of my properties is in such an area – and at the time of writing, it's had the same tenants for nearly six years. The tenants have a young boy. They moved in before he started school and he's now old enough to ride to school. Our property managers have a great relationship with the tenants because they look after the house like their own and everyone is happy.

So, by studying the demographic trends and population growth, you can really make your investment journey a lot easier.

One of my early mentors said that when they first started out, they could not afford to invest in their local area. They knew that they had to invest, because they were older, had come from overseas and had very little saved towards retirement.

At the same time, they had to minimise their risks because, at their ages, they could not afford to get it wrong.

They wisely studied demographic trends, population growth and worked out when they should enter the market, which we covered in the previous section. Within seven years, after starting with very little, they created a portfolio of $6.5 million – with equity of over $4 million.

I'm not saying that this is possible for everybody but, if implemented correctly, this information can be life changing.

Once you understand the demographic trends of an area, the next criteria to consider is… industry!

#13 What Industry Supports the Area?

When investing, remember that your tenants are real people who need jobs. If jobs dry up or are unstable in the area you've chosen to invest in, the rentability of your property could become an issue.

During the Global Financial Crisis in 2008 and 2009, many people who worked in the finance industry lost their jobs. They ended up moving out of their inner-city apartments to look for somewhere cheaper to live. As a result, the owners of these apartments were left with property that they could not rent out.

A friend of mine who lived in an inner-city apartment at this time said that the boutique block of apartments he lived in felt like a ghost town. Instead of the normal 20 tenants living in the block, there were now only about three. This means that 17 out of 20 apartments were vacant – an 85% vacancy rate.

We'll talk about vacancy rate a little later on, but I'm sure you'd be the first to run a mile if someone proposed that you invest in an area with an 85% vacancy. You just wouldn't expect this to happen in an inner city of Sydney!

Of course, things did change over time and these apartments are now rented again. But some owners could not hold onto their vacant apartments for that long a period of time and had to fire sell them (sell in an emergency).

This is made even sadder when you consider that Sydney prices went through the roof a few years later. Unfortunately, many of the previous owners missed out on this growth because they'd already sold.

Do you remember the mining boom in Western Australia and Northern and Central Queensland? For years, prices rose dramatically and rents were astronomical. Properties in certain towns were getting **thousands of dollars in rent per week!**

Many investors got caught up in the hype and invested there. Today, those properties have dropped in value, in some cases, by over 50%. The mortgage is actually more than the property value.

Some advanced investors took a calculated risk and bought one or two properties in a mining area, which was less than half their portfolio.

Unfortunately, some investors put the bulk, if not all of their investment portfolio into these mining towns. Today they are struggling to make the repayments because of plummeting rents – and they can't sell because their properties are worth less than their mortgages. It's a horrible position to be in.

ALWAYS look at what industry supports the area you are investing in. Ideally, you want to see multiple industries providing jobs to the area. That way, if one industry suffers (and almost every industry goes through a downturn at one time or another), you're protected because you still have other industries 'feeding' the area.

For instance, some of my clients invested in a large regional town. They had some great growth initially and then the market went flat, as all markets do, and they're now waiting for the next rally. During this time, however, my clients are not concerned about vacancy. Their properties are rented because the area is fed by four different industries, all of which are providing employment. Therefore, the cash flow from these properties is still strong. As I said earlier, when you invest correctly, you'll have capital growth and then when the market goes a little flat, rents will normally rise.

There is one industry that a lot of people like to invest in. However, I'd say that over time, it would have to be almost...

The Worst Industry to Base Investing Decisions On

The mining industry has certainly proven to be a tragedy for many who invested in it. However, it is not the most common industry in which people fail in their investments.

That industry is... tourism!

Tourism is the MOST fickle, fragile and unreliable industry upon which to base your investment decisions.

If the weather changes, tourism flounders.

If the exchange rate goes in the wrong direction, tourism flounders.

If another country does a better advertising job, tourism flounders.

When you invest in an area whose primary industry is tourism, there are too many factors out of your control that can work against you.

Areas like Cairns and high-rise apartments at the Gold Coast were once very popular investment choices. People went there for a holiday, fell in love with the area and ended up buying an investment property there. I mentioned this scenario earlier. However, prices have proven to be very volatile and many investors have struggled to get their houses or apartments rented.

At the time of writing, I see Cairns becoming a popular choice amongst investors again and prices are rising. The question is, will this growth be sustainable? That can only happen if there is a boom in jobs growth across multiple industries, which will require considerable investment. Right now, I have not yet seen any clear indication of that investment.

The other negative factor with investing mainly in tourism-driven areas is that those properties are mostly going to be holiday rentals. This means that there will be large vacancy periods to contend with, so cash flow will be strained.

An investor I knew bought a property in the Central Coast of NSW, thinking it was a great investment area and she loved holidaying there. She didn't realise though that she'd have to contend with 26 weeks of vacancy per year. This means that her property was vacant for 50% of the year. That is definitely not what she wanted.

This story shows how important it is to do your research.

Invest in areas with multiple stable industries that provide jobs for your tenants – and definitely stay away from holiday rental areas. It's one of my RED FLAGS! Warning – Do No Go There!

Now you know when to enter the market, what demographic trends to go after and the importance of considering industry. These factors will help you to minimise your risk and put the odds of long-term capital growth in your favour.

Now let's start to look at cash flow!

#14 Will You be Able to Rent Your Property?

Isn't this the key question you want answered *before* you buy an investment property?

Many like to say, "buy in a large capital city like Sydney because properties always rent in Sydney".

Don't be so sure.

I met someone who bought a brand new two-bedroom unit in Sydney's Upper North Shore. It ended up being vacant for over six months *during the greatest boom in apartment prices Sydney has ever seen*.

At the time of writing, a suburb in a lovely area of Sydney has the 3rd highest vacancy rate in the country. That means it will be one of the most difficult areas to get your property rented, despite the fact that many in Sydney would consider the suburb a really nice area.

When it comes to buying an investment property that will rent out, there is more to it than just buying in an area you think you know. In fact, there are three things to consider. Let's look at them now.

How to Maximise the Chances of Having Your Investment Property Rented

1. **Are You Buying the Right Investment Property for the Area?**

You need to find out if the property is suitable for the area you are investing in. When I found out about the first example mentioned above, I couldn't help but do some further digging. As expected, the main reason the property would not rent out easily was because it was not suitable for the suburb.

The investors had bought in a very family-friendly suburb, which was fine. What they didn't know was that the tenants generally preferred houses. Apartments were not very popular, unless they met certain criteria, which this apartment did not.

So, even though this investor bought at the right time in an area with strong capital growth potential, they were left with a property they could not rent out.

Yes, they did receive capital growth, *but* they were stretched financially due to the lack of rental income from the property. That's not a situation you want to be in, especially if you want to grow your portfolio and have multiple investment properties.

Make sure you research the area to ensure that what you are buying is what tenants in the area want.

2. What are the Vacancy Rates for the Area?

When looking at whether or not to invest in a suburb, there are two types of vacancy rates I like to look at. The first is the general vacancy rate of the area. There are free tools on the web that you can use to get this information.

You can also call real estate agents and ask them directly. Don’t be surprised if most of them don’t know their vacancy rates, so here’s the two questions to ask them:

1. How many properties do you manage in the area?
2. How many do you have available for rent?

Let’s say that one of the agents responds that they have about 100 properties under management and five are available for rent. When you divide 5 by 100, you discover the vacancy rate is 5%.

A ‘balanced market’ is said to have a vacancy rate of 3%. This is when there are approximately an equal number of available rental properties and tenants looking to rent.

A vacancy rate of higher than 3% means that there are more houses for rent than potential tenants. An investor should generally stay away from these. As I write this, there are some areas of Sydney and Melbourne with vacancy rates above 6%, which is higher than some mining towns!

A vacancy rate of less than 3% means there are more tenants looking for houses to rent than actual houses available, which is the kind of area that is quite attractive for an investor.

Once you know the rental vacancy rate in the area, you then need to find out how easy it will be to rent out the type of property you’re buying.

3. What is the Rentability of Your Type of Property?

If you’re buying, for example, a two-bedroom unit in an area with mainly four-bedroom houses, ask local agents how many two-bedroom apartments they have that are both currently rented and available for rent.

You want to know how likely it is for the type of property you’re buying to be rented quickly. If the investors mentioned at the start of this chapter had done that level of research, they might have reconsidered their investment choices.

Just because you’re buying something that is different to the main type of dwelling in the area does not make it a bad investment choice.

For instance, I found an area with high capital growth expectations that mainly had four-bedroom houses. With further research, I found that there was a segment of the population who lived there that would prefer not to live in four-bedroom houses, as they were considered too big.

I then recommended a few three and two-bedroom townhouse-style properties to my clients. They were rented within a week of coming online and my clients have not had any issues with keeping their properties rented since.

Sometimes, it can be good to go against the grain.

The key is to do your research and ensure that there is suitable rental demand for the type of property you're considering buying.

Consider the Future

Property markets change all the time. There are peaks and troughs in every market. Once you know your vacancy rate and the likelihood of the property being rented, revisit your research from the previous two sections, especially the following two points:

- Is there good population growth in this area?
- Are there multiple industries offering jobs to your tenants?

These questions are all about helping you mitigate risk, which can sometimes be hard when there is a property boom and lots of people are telling you that prices are going to the moon.

Take your time and do your due diligence.

Consider what would happen if the market changed. If people had asked these questions, many who invested heavily in mining-driven areas, tourism-driven areas or high-rise apartments, may have reconsidered their investment choices.

Just because an investment choice makes sense in the moment does not mean that it will make sense over time. Buying an investment property for capital growth is a long-term choice and you need to consider what could happen over your investing timeframe.

On the flip side, you need to be reasonable.

I had one potential client ask me, 'what if a Tsunami comes along and destroys all the houses on Australia's eastern seaboard?' I think, if such a thing happened, we'd all have bigger problems than just our investment properties. So, don't focus on the doom and gloom. Instead, look at how many factors you have in your favour versus what's not.

Multiple industries providing jobs? Yes = Good; No = Consider Risk

High population growth and strong demographic trends? Yes = Good; No = Consider why you are investing there

Low vacancy rates? Yes = Good; No = Consider Risk

Suitable Property for the area? Yes = Good; No = Consider Risk

Hopefully you're really grasping the value of having a thorough due diligence process and a checklist to assess the suitability of a potential investment property.

Congratulations to you for coming so far.

What's exciting is that there is still so much more to cover, so let's keep going.

#15 What Rental Return Should You Aim For?

Let's revisit the three pillars of our fundamental investing philosophy':

1. Capital growth is the destination
2. Leverage is the journey
3. Cash flow is the vehicle we use

The primary source of cash flow from an investment property is rental income. There are some tax savings as well. I will talk about them later, as they are of secondary importance.

When you're considering rental returns, a dollar value does not make a lot of sense. Is $600 per week a good rental return? It might be if you bought a property for $550,000, but it's not if you bought a property for $1 million.

Whenever you speak to an agent, he or she will almost always tell you that the property you're looking at will give you a solid rental return. That is not necessarily because they are trying to hoodwink you, but rather because they often only have a limited knowledge. They can generally only compare against other properties in their area. However, you don't have to limit yourself to one area. You can, especially using the information I'm sharing with you, invest almost anywhere in the country.

I remember in my early investment days, speaking to an agent about a possible investment property. He said that the rental return was really good. I crunched my numbers and found that I was going to be out of pocket by about $350 per month. In other words, I would have to put in $350 per month of my own money to fund the investment property. He thought that was pretty good and he was being genuine.

Yet, when I told him I was looking at some properties in another area that would put $80 per month into my back pocket after all costs, his jaw dropped. His exact words were, "Positive cash flow?! No way! That's impossible".

He was partly right.

It was impossible in his local area, but that did not mean it was impossible everywhere.

To make it easy for yourself, don't just consider the dollar value of the weekly return. Look at the rental return percentage.

How to Calculate Rental Return

The formula for rental return is:

Rental Return = Weekly Rent x 52 Weeks ÷ Purchase Price x 100

So, if you buy a property for $800,000 and it is going to rent for $650 per week, then you calculate your rental return as follows:

Rental Return

= ([$650 per week x 52 weeks] ÷ $800,000) x 100

= ($33,800) ÷ $800,000) x 100

= 0.04225 x 100

= 4.2%

This formula only applies to a standard residential investment property. It is not valid for holiday rentals, because you can't be certain when they are going to be rented. This makes it more difficult to work out the cash-flow return looking forward, although holiday rentals almost always end up being a cash-flow drain.

What Minimum Rental Return Should You Accept?

Now that you know the formula to work out the rental return, the next question is, what is the minimum rental return you should look for?

I recommend that the minimum acceptable rental return is 4%. So, the above-mentioned property would meet that criteria.

The reason why 4% is the minimum acceptable rental return is because, generally, that is when the property starts to be somewhat cash-flow neutral. Of course, this also depends on your personal circumstances, the prevailing interest rates and other costs you may incur.

However, it is a great rule of thumb to be able to quickly remove poor-cash-flow properties.

There is another, more popular rule of thumb out there called 'dollar-for-dollar', which is actually much easier to calculate.

Dollar-for-dollar means that you take the price of the property, remove the last three zeros and, if that equals the weekly rent, then you have a good rental return on your property.

Let's use the same example from above where you purchased the property for $800,000.

Step 1: Remove the three zeros from the purchase price. This means that $800,000 becomes $800.

Step 2: Is that equal to the rental return? In this case, the rental return was $650 per week, so the answer is no.

Therefore, according to this rule of thumb, you'd also say no to this particular purchase.

However, what if the rent was $740 per week? Well, according to the dollar-for-dollar rule, as this is still less than the $800 per week, you would decline it.

Now, let's work out the rental return:

Rental Return

= Weekly Rent x 52 Weeks ÷ Purchase Price x 100

= ([$740 x 52] ÷ $800,000) x 100

= ($38,480 / $800,000) x 100

= 0.0481 x 100

= 4.8%

Now, that is quite a solid rental return. As I write this, the average rental return in Sydney and Melbourne is under 3%. So, there are a lot people who are hurting from a cash-flow perspective but, if you could find a property that gave you a rental return of 4.8%, you would definitely want to investigate further. If you'd looked solely at the dollar-for-dollar rule, you may have discounted this as a viable option and you could miss out on a potentially great investment.

That is why I recommend using a minimum rental return of 4 % as an initial guide, as opposed to the dollar-for-dollar rule of thumb.

What's exciting is if you can buy a property that has a solid cash-flow return and, as a result, costs you almost nothing to begin with, over time, with rising rents, your investment can become a positive-cash-flow property, which will then help fund future investments and, of course, your lifestyle.

That is why 'positive-cash-flow' properties can be exciting. They are similar to getting a raise at work without you having to work any harder. However, as I cautioned you earlier, don't get carried away by them. Remember our 'fundamental investing philosophy' where 'capital growth' is the destination. Use positive cash flow to get you there faster.

So far, we have covered a lot of ground.

After getting clear on your goals, timeframes and appetite for risk, we started our research at a macro level, looking at different markets in different states and independent forecasts for capital growth. We then went through how to drill down into an area and check out the infrastructure plans, demographic trends and supporting industry. You then discovered how to analyse how likely a property is to rent and what rental returns you should look for.

You now know more than probably 99% of other investors out there (and most real estate agents). Now let's start looking at what type of property you should consider investing in.

#16 Houses or Apartments?

Another question I am often asked is, “What should I be investing in, houses or apartments?”

The answer is it depends on your goals and what you’re trying to achieve. Can you see that the answer to so many common investment questions all comes back to having clarity around your goals (the exercise you did earlier) and having a plan to make those goals a reality?

When I ask people why they want to invest in an apartment, the answer often is, “It’s cheaper”. If that’s the only reason for investing in an apartment, I recommend that you pause and reconsider.

People have done well investing in apartments, but you need to consider what type of apartment you’re investing in.

The ONLY type of apartments I would ever recommend investing in are low rise, boutique apartment blocks.

I would definitely stay away from:

- high-rise buildings with elevators
- multi-tower complexes (i.e., that have two or more tower blocks),
- serviced apartments.

I’ve just mentioned the three most common types of properties people invest in. So let’s look at why I strongly recommend staying away from them.

The Dangers of Investing In High-Rise Buildings with Elevators, Multi-Tower Complexes and Serviced Apartments

1. Cash-Flow Drains

The biggest cost with these properties, which owners have little or no control over, is the ‘strata’ fee. I’ve seen many people who bought an apartment in a high-rise building or multi-storey complex where, initially, the cash flow looked okay. However, over time, the increase in strata costs far outweighed any increase they received in rent.

When it comes to investing in serviced apartments, strata costs are even more hideous. I’ve seen many serviced apartments become ‘cash-flow sinkholes’. Since cash flow is the vehicle to get you to your end destination, these types of properties are definitely ‘investments’ to avoid.

2. Rental Income Loss

In Sydney, Melbourne and Brisbane, as I write this, there are tens of thousands of apartments planned to be built. With several coming on the market at about the same time, this will create a massive glut, and it’s highly unlikely that they will all be rented.

If you’re a prospective tenant, that’s your dream situation, because now you can negotiate the rent. However, if you’re the owner of an apartment, it’s quite likely going to be a nightmare!

The biggest danger with investing in massive apartment blocks is oversupply – i.e., where there are more apartments than potential tenants, especially when an apartment block has just been completed and all of the apartments become available at approximately the same time.

This becomes an even bigger danger when you buy 'off the plan'. This is where you put down your deposit, *which is almost always non-refundable*, and then the apartment is built, sometimes a few years later. It's a risk, because you don't know what the rental market will be like at the time when your apartment is ready to be rented. You could be competing with hundreds of other potential landlords who all want their property rented at the same time.

While your apartment sits vacant, you're not earning any rent and you have to pay the mortgage from your own hard-earned money. That so-called 'easy-to-maintain, stress-free investment' can easily become the very opposite of what you wanted.

In the earlier chapter on 'Which Industry Supports the Area?', I described how multi-storey apartment blocks in and around Sydney's CBD became vacant at one time because so many people moved out of the area.

Unfortunately, you'll find that vacancy rates with apartments can be highly volatile.

At times, the vacancy rate can be really low and it's easy to rent the apartments out. At other times, it can be quite high (often when lots of other apartments are being built), which means it can be a struggle to get your apartment rented. You don't normally see this level of volatility with houses or even boutique apartments.

When it comes to serviced apartments, the vacancy rate can be atrocious. Someone came to me for advice a little while ago. He'd bought a serviced apartment a few years earlier, but he couldn't rent it out and hadn't been able to do so for many months. He still had to pay his costs AND the unit had fallen in value dramatically, so he couldn't get out of it. You just do not want to be in that position, so don't take the risk.

3. More Difficult to Leverage

When you buy a unit in a high-rise building with elevators or a multi-storey complex, there are so many other units just like yours.

Imagine you want to leverage some of the growth you've had in your apartment, as I showed you in the earlier chapter on leverage. You approach a lender, who seems to be okay to give you the increased money you want to borrow. Part of their standard process, before lending you the money though, is they want to confirm the increased value in your apartment.

So they send out a valuer.

The valuer can only make his decision on the value of your apartment based on recent sales of similar units. If you think your apartment has gone up by $200,000, to say $800,000, he's looking to see if he can find similar apartments to yours that have sold for a price of $800,000.

In these large complexes, finding similar units to yours that have sold is often a simple affair, because there are so many of them. However, the problem occurs if someone has sold a similar unit to yours for a lower-than-market price (because of financial difficultly).

Let's say someone had to sell a similar unit to yours for $650,000. It's now going to be difficult for the valuer to justify to the bank that your apartment is worth $800,000 (even though you may be able to sell it for that), because of that one low sale price.

Someone else's financial difficulty ends up affecting your ability to leverage – which, as I said earlier, is the biggest advantage to investing in property.

The other thing to consider is that banks keep changing how they view apartments in high-rise buildings and multi-storey complexes. Just because a lender is willing to lend money against an apartment today, does not mean they always will be. In July 2015 and again in mid 2017, many lenders changed their lending criteria and a big part of the change was that they were far less willing to lend against apartments.

Unfortunately, the fact that banks continue to change their lending criteria can have a huge impact on people who have bought apartments in what is known as 'off-the-plan-purchases'.

The Dangers of Buying 'Off the Plan'

An off-the-plan purchase is where you 'buy' an apartment before construction has completed, often even before it has started. Therefore, you buy after looking at a plan (hence 'off the plan') and sometimes after looking at a model of how the apartment block will look.

The attraction of off-the-plan purchases is that you don't need your finance approved until construction is complete, which can sometimes be a few years away. You 'just' need to put down a 10% deposit, which, as I said earlier, is almost always non-refundable. The apartment has been secured and finance can be worried about in the future.

However, there are some risks associated with this type of purchase:

1. Since you don't need finance approval, many people don't bother to check whether they actually qualify for the required loan to buy the apartment. They just assume that they will and they sometimes receive a nasty surprise when their lender says it won't lend them the money.

2. Let's assume you do your due diligence and confirm that you can get a loan for the required amount at the time you put your deposit down. As I mentioned earlier, these apartments can often take a couple of years to complete, if not even longer. If this happens, your initial loan pre-approval will no longer be valid and you'll have to get approval again.

   Now what happens if the banks have changed their lending criteria, like they did in the second half of 2015, then again in 2017 and more recently in late 2021? There are a couple of possible changes that can occur:

   (a) Banks might want to reduce the number of apartments they have loans against, as a total percentage of their total loans. So they are less likely to accept new loans against apartments.

(b) Banks may have changed the way they assess loans. You might have qualified for a loan when you put your non-refundable deposit down but, today, you may no longer qualify.

Regardless of what the change is, you are now stuck! You can't get a loan and your deposit is likely to be lost!

At the end of 2015, a report came out from one of the major financial institutions that said they expected one in three off-the-plan buyers in Melbourne and Sydney to no longer be able to qualify for the loans they need to buy their properties.

This means that 33% of those people would have to walk away from their apartment, having lost tens of thousands of dollars.

Some are in an even scarier position, where their contracts gave the vendor the right to sue them for any money lost. In other words, if the vendor can't get the same price when trying to resell the apartment, they can sue you as the original buyer for the difference, even though you have already lost your deposit! Scary!

3. Many people buy an 'off-the-plan' property with the aim of selling it for more than they bought it for. The rationale is that the apartment won't be complete for at least a couple of years and, in that time, the market would have risen and they can sell, sometimes before they even settle, which means they may not even need finance.

   That certainly has worked in the boom markets of Melbourne and Sydney between 2012 and 2016.

   However, the risk with this strategy is that there is a plethora of apartments being purchased off-the-plan and many of the buyers have the same idea as you. So, when the apartments are getting close to completion, there are a lot of people putting their apartments up for sale at the same time. Whenever you have a glut of apartments for sale, you're not going to get top dollar. It becomes a buyer's market.

   Some of these people are forced to accept the reality that they have to sell anyway because they can't afford to hold onto the property. Others choose to keep the property, even though they didn't initially plan to, because they can't get the price they wanted, and now their entire investment strategy (and, consequently, maybe even their lifestyle) has changed for the worse.

Even though I am talking about the dangers of buying off the plan, this is not always a bad strategy. I know many people who have made money this way. However, it is a speculative strategy and whenever you speculate, the risks increase. Just ensure that you know the risks beforehand.

As you can see, there are a whole series of risks and dangers with investing in high-rise-buildings with elevators, multi-tower complexes and serviced apartments, regardless of whether or not you buy them off the plan.

If your strategy is to minimise risk and buy something that causes minimal headaches, then these properties should be added to your red flag list (i.e., types of property to avoid), in addition to the holiday rentals we spoke about earlier. They are just not worth the pain!

If you are still keen on buying an apartment, then look for something that is low set and boutique (i.e., not surrounded by thousands of other apartments).

Considering all of these dangers from investing in high-rise apartments, why do people still do it?

The main reason, as I said earlier, is price. They want to get into a particular market and, because they can't afford a house, they believe that an apartment is the better bet.

This is often when I ask people if they have looked at other markets, which is what was covered in earlier chapters.

You see, I'd always prefer to invest in a decent house than an apartment. With an apartment, you don't own any land (or only a miniscule percentage, at best). All you really own is the space between the walls.

I'd always prefer to own land when I can. As I heard a humourist once say, "Buy land – they ain't making more of it." Since land is in limited supply, when you buy in the right area you're stacking the odds of sustained long-term growth in your favour.

The key words here are 'sustained, long-term growth'. You don't want an investment to give you a growth spike because of a short-term 'bubble', only for it to then flatline, or worse, reverse.

As I write this in early 2022, apartment prices in many areas of Sydney and Melbourne markets have risen dramatically over the last few years. The question now being asked is when will prices drop? However, the question is almost exclusively focussed on... apartments.

This is because so many have been built recently, there are even more that are in the midst of construction and still more where construction has yet to begin. So, there is a huge concern about oversupply, which is what causes rents and prices to drop. Even banks are taking a more cautious approach when lending to people who want to invest in apartments.

Yes, the population in Australia's two biggest cities is constantly growing and so the oversupply will eventually be soaked up. The question is, is there likely to be some pain in the short to medium term? Many are predicting that this will be so.

I personally don't want to take the risk.

There is almost no talk of a massive correction in the prices of houses. Even if this was to occur, it would be less than that experienced by apartment owners. Also, over time, since land supply is limited (there is only so much land), house price growth will outstrip apartment price growth.

Based on all of this, you can see that a house is lower risk and generally gives you greater growth. Banks prefer them as well, so leveraging becomes easier.

If I can't afford a house in a particular market, unless there is a really compelling reason for me to buy an apartment there (and I personally have only ever done so once), I'd look to buy in a different market. Armed with the information in this book, you can now do the same.

Also, if you're looking to invest on the back of the demographic trends I outlined earlier, then houses are almost definitely what your prospective tenants will prefer. Now, when I say houses, I'm not talking about 1,000 square metre blocks of land, unless of course you plan on doing something extra with the land.

I'm talking about reasonably-sized blocks of land small enough that maintenance is simple and large enough that there is some sense of a backyard. The exact size of land you're aiming to purchase will depend on the area you're investing in. So do your research.

There are many people who predict that in the future, more people will live in apartments than ever before. One of the biggest areas of growth is expected be in single-person dwellings.

I can see the case for that and, if you are a planning on becoming a developer or builder, then that is an avenue to explore. However, if you want a more 'set-and-forget' approach to investing, with long-term tenants, I'd recommend buying houses in areas where the demographic trends are as I outlined earlier.

I've covered a lot of ground in this chapter, so I've provided a table below to summarise it.

A Comparison of Houses Versus Apartments

	High-Rise Apartments	**Houses**
Risk of Oversupply	High, as it is easy to build higher apartment towers. Greater potential for high vacancy rates, resulting in lower rents (or, in some cases, long-term periods of nil rent)	Low, as land is limited. "They ain't building more land."
Bank Perspective (this is key when looking to enter the market *and* when you want to leverage)	Good, when the market is rising. However, this can change quickly (as seen in mid-2015), when there is a risk of oversupply and banks want to reduce their exposure – i.e., they would prefer not to lend as much against apartments	Good
Volatility	High	Low
Time to Ownership	Long, especially when purchasing 'off the plan'. This can lead to market and lending changes that can cause you pain. High risk	Fast, which reduces risk
Control Over Cash Flow	Less control as strata costs can spiral upwards	Better control, as you make all the decisions

Now, there are many people who would say that houses can cost you more because of maintenance costs. That's what brings us to the next chapter.

#17 New Versus Old

When people are looking to invest in houses, I'm always asked if you should buy something older or brand new? This again comes down to your strategy.

If your plan is to buy and renovate to add value, or perhaps to knock down in the future and rebuild, then you'll be looking at purchasing an older house. If you're looking to buy something with minimal hassle, a set-and-forget type investment, then a newer house is what you need to consider.

Whenever I ask people who want a hassle-free investment, why they are looking to buy an older house, the answer is almost always the same.

It's to do with price.

They say something along the lines of, "Older houses are generally cheaper than new houses and you can also quite often negotiate a better price."

I agree.

In fact, there are some people who would argue that you should always make money on property when you buy it. In other words, you negotiate such a large discount on the purchase price that you end up buying the property for less than the market value. This creates immediate equity which you can then use as a deposit for further investments.

According to this theory, you would buy, for example, a property worth $800,000 for only $600,000. Then you could use part of the $200,000 difference, which is now your equity, as the deposit for your next property.

There are some people who claim to have made big money from this strategy, so it does sound good in theory, but if that is your plan, good luck!

Unless there are extenuating circumstances, vendors are not going to allow such a massive discount, especially in a growing market, or a market set to grow, which is what you're looking at. For example, how many times was someone willing to sell their property for less than market value in Sydney in the years between 2012 and 2017? Answer – virtually nobody! Would you?

So, let's come back to reality.

Yes, you are more likely to negotiate a discount on an older property than something brand new. However, when you're looking to invest for the next seven to 10 years, getting the cheapest price is not the main part of the game.

Remember, you're not buying groceries here. This is an investment. What you want is, instead of buying the cheapest investment property, to buy the best investment property for you. That is hardly EVER the cheapest property you can get.

Let's compare the differences between new and old houses and see which one is going to be a better investment for you.

	New House	**Old House**
Price Negotiation	Often negligible (unless vendor is in financial difficulty)	Potential to negotiate a discount
Maintenance	Low	High, as house is older and things are more likely to break down
Rentability	High	Can be lower
Rental Income	Generally high as tenants like to live in new houses	Lower
Quality of Tenants	Generally better	May not be as good
Depreciation Benefits (non-cash write-offs)	High	Low
Price (if you decide to sell)	Higher than an equivalent older house	Lower than equivalent newer house

Let's examine each of the above factors in more detail. I've already examined price, so let's begin with:

Maintenance: If you buy a quality, brand new house, you should have next to no maintenance. Of course, if the quality of the workmanship is shoddy, then you may have to go through some pain. I'm going to assume here that you're working with someone delivering a quality product and you have had someone independently verify the quality of the build prior to purchase, or at completion of construction.

Remember, we are talking about new houses here, not apartments, which I believe are often more subject to building defects.

When you're investing, you want something that is as hassle free as possible. An older house is more likely to have ongoing maintenance issues, which is going to cause you headaches. Remember, you may be investing in an area outside of where you live. When this is the case, you want to keep things as simple as possible. A new property is the way to go.

Also, depending on which state you invest in, with brand new property, you will get a certain period of time for builder's warranty work. This means that if something does happen during this timeframe, the builder must fix it at their cost. There is also a longer structural warranty period in most states that covers you against builders putting up a shoddy structure. You almost always lose all of this protection with an older property.

If you're looking for less hassle and lower ongoing maintenance costs, new property is a lot more likely to achieve this outcome.

Rentability: Imagine you're a tenant who has the choice of renting a nice new property that meets your needs or an older one. Yes, the newer one might be more expensive, but it is nicer and you can afford the extra rent anyway. Which property are you likely to choose?

The newer one, of course!

The same is true for your prospective tenants. Newer properties are more likely to be rented than older ones – especially when the market becomes a renter's market (as almost every market does for a short period, before reverting back).

Rental Income: When you look at average rents, generally newer properties will provide you a higher rent than older ones. Remember that, as an investor, capital growth is the end destination and cash flow is the vehicle to get you there. To maximise your cash flow (higher rent with lower maintenance costs), new property is the best choice.

Quality of Tenants: Better quality tenants will always be attracted to the more modern style of accommodation. So, if you have done your due diligence as per the earlier items in this book, you'll find that it is generally the older houses in your chosen area that attract poorer quality tenants. They are looking for cheaper rent.

When you are investing, your tenants are your biggest partners. They are the ones who help you pay the lion's share of your mortgage, so you want to look after them and you want to ensure that you're attracting the right type of people to look after your property.

TIP: Even when you are buying a new property and attracting a better quality tenant, I ALWAYS recommend that you purchase landlord's insurance. This just gives you an added layer of protection. I had great tenants who had been in one of my investment properties for over three years. They had looked after the property as if it was their own and I only received glowing comments from my property manager when the regular inspections were done.

Unfortunately, one day out of the blue, my tenants turned up at the property management office with their car packed up to drop off the house keys. The husband, who had been the main income earner, had lost his job and they could no longer afford the rent. In fact, they had to move out of the area for work. They said thank you and then they left, even though they were in the middle of a signed lease.

Thankfully, my landlord's insurance policy covered the loss of rent. I got a new tenant soon afterwards and everything went along smoothly. So always, always, have landlord's insurance cover in place. It's relatively inexpensive for what it covers and gives you that added piece of mind.

Depreciation: This is the Government's secret sweetener for those buying new properties that very few people talk about. Depreciation expenses are what are known as non-cash expenses. In other words, you get to claim these expenses in a financial year, even though you didn't actually incur them.

It's completely legal too!

However, the depreciation benefits on what is known as 'fixtures and fittings' are only valid for the first five years after a property is built. Thus, a new property will always provide you with better depreciation benefits than an older property, and this could be worth considerable money to you, often in the order of tens of thousands of dollars.

If you buy a property that is older than five years, you're going to miss out on the depreciation of 'fixtures and fittings' and only be able to claim depreciation on the building (unless of course you spend money renovating and upgrading the house).

When you're working out your cash-flow numbers, ensure you consider the impact of depreciation. It's been worth thousands of dollars to me and my clients

Ease of Sale in the Future (if you decide to sell): Let's compare a brand new house with a 10-year-old house today. Imagine you want to sell in 10 years' time. The brand new house will be 10 years old and the older house will be 20 years old.

Which one will be easier to sell, all things being equal? Which one is likely to give you the better price as well?

It will be the newer house almost every time. You might say that you don't plan to sell, which is great. However, none of us knows what the future holds and you may find that you need to sell an investment property due to unforeseen circumstances. If that happens, you want to stack the odds in favour of you having an easier sale and getting a better price.

Of course, you might say that you can renovate the older house and bring it up to market standard, which will then make it easier to sell. That may be possible, but it will mean more work, more money and stress for you, especially if you've built a big portfolio all around the country. You want to minimise hassle and inconvenience, while maximising results. You want 'set-and-forget' type investments.

*****

When it comes to new houses versus old/er ones, I hope you can now see why new gives you so many more advantages. When I invest in property, I want to profit through the property and not through the work I have to do to the property. That's likely to be true for you as well.

Investing in an older property will involve a lot more time and effort from you, which will take you away from your other pursuits. You're probably busy enough as it is. If you want to take the path that will require as little of your time as possible, then a new property is the best choice.

As I said earlier, the aim is not to buy the cheapest property. You want to buy the best property for you that will give you great capital growth and good cash flow while minimising hassle over the period that you own it.

Once you're clear on the area you want to invest in and the type of property, there are still a few other factors to consider. Many people don't know about these, which can bring an investment strategy undone.

Let's begin with the first one…

#18 Potential Nasty Cash-Flow Surprises

Many years ago, one of my first clients bought an investment property in Sydney. At that particular time, I recommended that he not do this, but he still went ahead with the purchase.

About a year later, he called me and said, "Niro, you told me not to buy that house and I did it anyway. Today I received a letter in the mail, which contained a rather ugly surprise."

I was intrigued, but stayed quiet.

He then said, "It contained a land tax bill... for $10,000! I now have to find the money to pay this. The rent already isn't covering the mortgage and now if rates rise, I'm in real trouble from a cash flow perspective.

This was then followed by a series of expletives.

I've heard many such stories. When buying an investment property, you need to consider if there could be any unexpected cash-flow surprises along the way. Remember, what I said earlier? Cash flow is the vehicle that gets you to the destination.

One of the worst of these often unexpected expenses is 'land tax'!

It's something almost nobody tells you about. It hardly ever enters anybody's cash-flow calculations when they are recommending properties to you. It's one of those nasty bills that sneaks up and smacks you like a cold, wet fish in the face – and there is nothing you can do about it.

If you're looking at investing in houses, you need to consider the land tax ramifications. Below is a table of the current land tax thresholds for each state (at the time of writing). Use this as a guide, but please check the figures again when you're looking to invest, as they do change (and unfortunately, not always in an investor's favour!)

Land Tax Thresholds in Each State For Individuals (As At 10/06/19)

State	Individual Land Tax Thresholds
Tasmania	$24,999
Victoria	$250,000
Western Australia	$300,000
South Australia	$369,000
New South Wales	$692,000
Queensland	$599,999

You can see that the thresholds vary quite considerably. Consider NSW at $692,000.

Let's say you buy a house in Sydney for investment purposes and you pay about $1.2 million for it. Your land value is likely to be around $800,000.

That means you pay land tax on $800,000 - $692,000 = $108,000

The land tax bill is calculated (at the time of writing) as $100 + 1.6% of $108,000 (in this case), which equals $1,828. You now have to pay over $1,800 every year from your own pocket, just for owning the property.

As the land goes up in value, which is what you're aiming for, guess what happens to your land tax payment? It rises as well (unless the government decides to increase the threshold, which is doesn't always do) and, if your rent does not rise sufficiently, the property becomes more cash-flow negative each year.

That's why I say that land tax is one of the nastiest cash-flow bad guys. It stays with you for as long as you own the investment property, generally increases as the land value goes up and, if you grow your portfolio by buying more houses, what you pay in land tax increases again as well.

Thankfully, land tax does not apply to your own home at this stage. It only applies to investment properties.

The other benefit is that land tax is a state-based tax. Therefore, if you own an investment property in Queensland and one in NSW, the land values are not added together. Your NSW property is judged separately, and your Queensland property is judged separately.

Although land tax is not the only determining factor, it is a key factor, especially from a cash flow perspective. Unfortunately, many people fail to consider this expense when looking at the cash-flow numbers on their property, and they end up in a worse cash-flow situation than they expected.

When it comes to apartments, especially high-rise buildings, the cash-flow bad guy is your strata cost. Although strata costs may initially be low, consider what could happen to your cash flow if they were to increase. I've met many investors who said that the increases in strata costs over time have really hurt their cash flow.

The final nasty cash-flow surprise you could receive is an unexpected maintenance bill. This is not a major concern when you purchase new properties which, as I explained earlier, is another reason you should aim to buy new. If you're looking at older properties, ensure you have a buffer for maintenance bills. You will receive them and you need to ensure that you've considered this when doing your cash-flow analysis on your prospective investment.

When you're looking to invest in property, remind yourself that getting capital growth is the destination, but cash flow is the vehicle to get you there. Consider all your potential cash outflows. You don't want any surprises which leave a hole in your cash flow. Driving a car with a fuel leak can be expensive.

#19 What's the Proportion of Owner-Occupiers to Tenants?

When you invest over a seven to 10 year period, there will almost certainly be times when your property is vacant. If you've done your research, as per the information I am sharing with you, those periods should be brief and few. Regardless, I still recommend planning for them.

For example, you may have a tenant who gives notice in mid-December and the odds are that you won't get a new tenant until January. You may end up with a month of no rent during the Christmas and New Year period, which is also a time when personal expenses rise as well.

What is an even bigger problem though is when lots of properties in your street or area become vacant at the same time. That's when you'll have a challenge getting a tenant to rent your house.

When you did your initial research, you might have found that the vacancy rate was really low, which was great. Unfortunately, that is where most people stop their research.

What you also need to do is look at the ratio of 'owner-occupiers to tenants'.

You see, when there is a downturn in the market, especially if it's due to a negative change in the economy, tenants can leave reasonably easily if they need to find work elsewhere.

Investors can choose to dump their investment properties if they need to pay down debt. However, owner-occupiers will do everything they can to hold onto their home.

Isn't this true for you too?

Regardless of how tough things get, you would probably do everything in your power to hold onto your home. The same is true for almost all owner-occupiers, i.e., everyone who has their own home.

So, when you buy in an area with more owner-occupiers than tenants, you're giving yourself a greater level of protection. Since owner-occupiers will fight to hold onto their homes, they are less likely to just dump their properties at fire-sale prices. Therefore, properties are more likely to hold their value in a property downturn.

Also, if there are more owner-occupied than investment properties in your chosen area, it is far less likely that you're going to be in a situation where there are several houses sitting vacant for tenants to pick and choose from.

So what should the ideal ratio be? There are a couple of different answers to this, depending on the net inflow of people into the area.

If you're buying in an area that is well established and the population is growing steadily, then I'd look for at least 60% owner-occupied properties and 40% tenant-occupied. If you can get an area with a ratio of 66%, or even 70%, then you've stacked the odds in your favour even more.

However, if you're buying in an area that has a rapidly-growing population, then the ratio can be different. Of course, if you can still get a 60% or higher owner-occupied rate, you're doing very well, but this may not always be possible. For instance, one area where we're sourcing properties for clients right now is expected to double in population within the next 14 years. Another is expected to triple in the next 14 years. Since these are such fast-growing areas, I'm happy if the split is 50-50 between owner-occupied houses and tenant-occupied (investor-owned) houses, as long as the majority of the people coming into the area want to buy rather than rent.

If the majority of people coming into the area want to buy, that means they plan on settling down and it is more likely that there will be long-term stability in the area. If the majority of people coming in are tenants, it is likely that they are coming for work. This may be okay, but you then need to go back and check what industries are feeding the area and their long-term stability.

If the industries are volatile, when the area goes through a downturn, you could be left with a property that you can't rent and may not even be able to sell. Remember what many people are facing after having invested in certain mining or tourism-driven areas.

I like to invest in areas where there are mainly owner-occupiers moving into the area as it's less volatile and I'm reducing my risk. If you've done your research in your chosen area and can see there is good infrastructure planned that allows families to settle down (schools, shops, transport, etc.), you're again stacking the odds in your favour.

#20 Negative Gearing – How Does It Actually Help?

Two of the most common questions people have asked me are, "What is 'negative gearing'?" and "How do I get tax advantages from investing in property?"

Let me address the second question first. You see, the reason many people invest is because they have been advised by their accountant that they are paying too much tax and need to 'negatively gear' to bring their tax down.

Allow me to make one thing very clear (if I haven't already):

YOU NEVER EVER, EVER, EVER INVEST JUST FOR TAX BENEFITS!

Can I be any clearer? Even if the ATO didn't frown on this, you still shouldn't do it. If you do, you're quite likely to make some bad investment decisions!

I've met many high-income earners who have regretted their property investment choices because they invested solely for tax reduction purposes. Unfortunately, they ended up facing a lot more cash-flow pain than they bargained for – and they missed out on capital growth by investing in the wrong areas. Don't join this club. Don't invest just for tax benefits.

Someone recently asked, "Niro, is negative gearing good or bad?"

My response was that if you invest just for tax benefits, you are doing yourself a disservice. What you want to do is buy investment properties in areas with good capital growth potential and a solid rental return. Then you can claim whatever tax advantages you are legally entitled to, in order to help with the holding costs of the property.

The tax advantages should only be used to help you hold on to the investment property, nothing more. After all, that is what they were intended for.

By offering negative-gearing benefits, the Government is giving you a 'reward' of sorts for buying an investment property and providing rental accommodation. If there were not enough investors, there would be fewer properties available to rent, which would raise rent prices significantly, making renting even less affordable to many people.

Now remember, most people (not all) rent because they are not in a position to buy. So, if renting became unaffordable, it would place a greater strain on the Government and Housing Commission. In a worst case scenario, it could increase Australia's rate of homelessness. This is definitely not something the Government or the country wants. So negative-gearing benefits are offered to help investors *and tenants* (by keeping rents lower), which in turn helps the Government.

So, is negative gearing good or bad? Well, remember this section (or any section in this book) is not to be considered tax advice of any sort. It is purely to illustrate how negative gearing can affect your cash flow on a property. In my opinion, negative gearing is one of the best and fairest incentives the Government provides. It keeps rents lower than they would be otherwise, and helps average Australians create wealth through property.

Then, how does negative gearing work? Well, let's look at an example. If you're not into your numbers, this section may be feel complex. Don't let that stop you. You're just trying to understand the concept here.

An Example to Illustrate the Positive Impact of Negative Gearing

Let's assume you have a property that is rented for $600 per week. Assume it is rented for the full 52 weeks of the year. Therefore, your annual rent works out to be:

Annual Rent: $600 x 52 = $31,200

Let's assume your interest payments on the mortgage, along with your other costs per year (rates, insurances, etc.) = $41,200

Therefore, the **net cash flow before tax** of the property is:

Rental Income ($31,200) – Total Annual Costs ($41,200)

= –$10,000

Put another way, this property would cost you $10,000 per year to hold, if there were no tax benefits offered.

To help minimise the impact of this $10,000 'cash-flow loss', the Government allows you to claim a tax deduction if you're earning a personal income.

Let's now assume that a married couple bought the property together and their total income was $120,000 plus superannuation, which is what they would normally pay tax on.

At the time of writing, the tax payable on $120,000 is approximately $34,432.

Negative gearing means that they get to subtract the cash-flow loss on the property from their gross income and only pay tax on the difference. In other words, they get to lower their taxable income.

So, in this case, the couple's new taxable income would be:

New Taxable Income

= Original Gross Income ($120,000) – Cash-Flow Loss Before Tax ($10,000)

= $110,000

Therefore, they would only pay tax on $110,000.

The tax payable on $110,000 is approximately $30,532

Therefore the tax saving is:

Tax on $120,000 – Tax on $110,000

= $34,432 –$30,532

= $ 3,900

So, in this example, the cash-flow position after tax of the property is:

Pre-tax Cash-Flow Loss – Negative-Gearing 'Rebate'

= $10,000 – $3,900

= $6,100

Therefore, as a result of applying negative gearing, in this example, the property only costs the couple $6,100 per annum versus $10,000 per annum.

If the numbers confused you, don't worry. What I want you to understand is that negative-gearing benefits can help you with your cash-flow position when it comes to buying an investment property.

As you just saw, there are a lot of calculations that need to be done in order to work out tax savings. The example I went through was quite a simple one. Ensure that you have a good accountant who can assist you with this and that you know your numbers before you make a purchase.

Although you should never invest based on tax advantages, tax savings are something you can legitimately enjoy. Make sure you have a good idea of what you can claim before you buy a property. It will help ensure that you are getting all the benefits you are entitled to.

What you don't want to is be like one of my clients who had just sold an investment property when I met them. After I went through all the benefits of investing in property and referred them to a good accountant, they were horrified to discover that they had missed out on a few thousand dollars in tax benefits on their previous investment property.

When it comes to investing in property, you need to know all your numbers – your costs, your income sources and your tax savings, in order to work out the net cash flow. Only then can you make an informed decision about whether a potential investment property is right for you. Ensure you work with people who can offer you a complete cash-flow analysis on the investment opportunities you are considering.

This is brings us to our final criteria... your team!

#21 Who Is On Your Team?

"***Property Investing is a Team Sport***"

As we get closer to the end of our time together, my sincere hope is that you have learned a lot and you want to start building your property portfolio.

Please take a moment to pause right now.

I always tell people, "Property investment is a team sport". In soccer, for instance, regardless of how good you are, if you try and play by yourself against even an average team, you will get beaten. The same can be said about property investment.

Regardless of how many books you read, how much research you do or how many late nights you spend looking at RealEstate.com.au, the truth is that you'll always be behind someone who has the right team around them.

Make sure you surround yourself with the right team and use this checklist to ask the right questions.

Let's look at who should be on your team.

1. The first person I'd recommend is someone who can do the research for you and present a summary of what is happening around the country and in different markets. It is just too difficult for one person to do all this research themselves. That is, unfortunately, why so many people just look for the next popular hotspot in the media. The problem with this is that by the time a hotspot appears in the media, it has already had most of its growth and many people who blindly follow the recommendations end up getting burned.

   People who decide to invest alone often limit themselves to investing in their own areas because they are unable to do all the proper research. As you've read, investing in your local area is not always the best thing for you, so why put limits on your prospective success?

   The right people on your team can feed you the right information and help you to make an informed decision about what is the right path for you.

2. The second member of your team needs to be someone who can source the right investment opportunities for you. This could even be a good real estate agent or buyer's agent. This is a role I have played for clients for many years. In fact, many of the investment properties I sourced for clients *never even hit the open market*. What that means is that an average do-it-yourself investor, working hard late into the night to create a strong financial platform for their family, *never even got to see these opportunities.* It's important to have someone who is able to feed you good deals and the right opportunities.

3. The third person you need on your team is a good finance broker, someone who really understands property investment and has the experience. There are many people out there who

just want to get you a loan, which is fine. But you want someone who understands the dangers of cross-collateralisation (having your investment loan with the same bank that has your home loan), can help you use the banks as your research partner and can show you what you really can and cannot afford.

4. The fourth member of your team should be a good accountant, someone who understands how to help you receive the maximum tax advantages that you are legally entitled to from an investment property. This is key to helping you with your cash flow.

   If you can at least have these four people on your team, you're going to be off to a great start (and well ahead of almost everybody else).

Work on acquiring the right team and the right investment opportunities will follow.

#22 Final Thoughts

Congratulations! You have made it to the end of this book. The vast majority of people who pick up a book like this never even get past the first chapter. So, you're well and truly on the path to your own success.

We have covered a lot together in this short journey of ours and I trust that you have learned a great deal. You are more informed, more educated and more armed than 99% of other property investors out there.

Let me now offer you two final pieces of guidance.

Firstly, Napoleon Hill, in his phenomenal best-selling book, *'Think and Grow Rich'* said: "Action is the real measure of intelligence."

So, please do not waste this valuable knowledge you now have. Do not procrastinate. Put this information to use so you can create the wealth and freedom you desire.

Just before you do, please consider my second piece of advice, which is… to know the reasons that people fail when investing in property

The Top Three Dangers for Investors

1. **Failing to Have Sufficient Buffers in Place:**

One thing I advise my clients NOT to do is 'red line' themselves. In other words, I want to make sure my clients invest safely and have sufficient financial buffers in place *after* they buy their investment property. Although it can be tempting to use every dollar you have to get into the market because prices are rising, don't do it!

Be patient.

Don't strip all the money you have out of your bank account. Ensure you leave a few thousand dollars as a buffer. Investing is a long-term game. You never know what curve balls life will throw at you.

The reason many people have to sell a property, either at a loss or sooner than they would have liked to (and hence miss out on future capital growth) is because they didn't have sufficient financial buffers when life threw them a curve ball. Don't let that be you. Have your buffers in place so that you can invest with peace of mind.

2. Trying to Do It All Alone:

This would have to be my biggest mistake! In my 20s, I was brash and bold and thought that I was also bullet proof. I wasn't going to ask for advice from anyone. I was going to do it alone. Sadly, I made some huge mistakes. I bought the wrong properties and, even more importantly, I missed out on huge opportunities. Thankfully, I was still young enough to turn things around.

You see, when you make a mistake in property investment, it's not the money you lose that causes the most pain (although that does hurt!), it is the time you lose that is most painful – and that time is not something you can get back.

I've since learned that many wealthy people choose a mentor for themselves – someone with a proven track record, with the credibility, experience and expertise to guide them on their journey. They also have a team of people who can support them, and *only then* do they take action. This was what the previous chapter was all about.

3. Listening to the Wrong Information:

Let me give you an example of how listening to the wrong information can cost you dearly.

A lovely couple, who had worked very hard for the last 25 years to pay off the debt on their home, came to see me one day. They were both completely burned out from all the overtime they had done over the last two and a half decades and were looking for a way to invest for their future.

I put a structure in place for them, coupled with two investment properties, which would see them make massive inroads into their goal, while still playing it safe. They had a very low appetite for risk, which was not a problem.

By the end of the appointment, they were very happy to have found someone who could help them achieve their financial goals. The husband was happy because his wife, who was the more scared of the two, also seemed really excited.

A few days later, I received a phone call from the wife, saying that they wanted to pull out. I was amazed because I knew they could see how the plans and properties we discussed would help them.

What was the reason they pulled out?

She had gone back to work and, in her excitement, chatted to her work colleagues about this great plan. Unfortunately, she worked in a low income industry, in a factory.

So what do you think her colleagues said? You can almost guess, right?

"Something like this could never work… it's too good to be true… you're just a factory worker – who are you to be able to achieve something like this?… forget about it", and more.

Now, don't get me wrong – I have nothing against factory workers, but the question to ask here is this: "Are they the right people to be giving you financial guidance?"

This poor lady was so freaked out by what her work colleagues said that she completely shut down and decided to just do nothing and continue to work long hours as she had done for the last several years for very little return.

Why did she choose this course of action?

She was scared.

She was scared because the advice she'd received from me was different to what everyone else in her inner circle was doing and because her friends told her that it was a bad idea.

She was willing to let the opinions of her well-meaning but unqualified group of friends stop her and her husband from trying to achieve what they wanted in life.

Her husband called me a few days later, completely distraught that his wife was paralysed by fear, because he knew what they were going to miss out on. Unfortunately, there was nothing I could do for them.

What about you? Who are you listening to? Make sure you are getting your financial guidance from people who are qualified to give it to you, otherwise it's quite likely you'll miss out on opportunities, maybe even put your money into so-called investments you regret and end up having a retirement that wasn't worth working nearly 40 years of your life for. Don't let that be you!

What's Your Next Step?

If you've enjoyed this book and you need further help with building your property portfolio, then book a call with me and we can discuss your options.

Simply go to the link below for all the details.

www.nirocall.com

I wish you well in the future.

Niro