PROPERTY SURVIVORS

There is a whole host of excuses for not investing in property or delaying going further – kids, a tight budget, a rough trot in your personal life and more. These four investors don't want to hear it! They've been through hell and back and emerged as property survivors.

Shannon Molloy

SURVIVING A SPRUIKER

ELAINE CHASE
Portfolio value: $2.1 million
Number of properties: 8
Gross portfolio yield: 5.5%

Like too many beginner investors, Elaine Chase was charmed by a slick and fast-talking property spruiker and became involved in a deal that almost ruined her financially.

It was 2007 when she signed a contract to buy an off-the-plan property in the outer Melbourne suburb of Point Cook.

The three-bedroom house was priced at $420,000 and the group peddling it billed itself as an investment advisory group.

In reality, it was a marketing front working for the developer, with in-house mortgage brokers and solicitors to ensure the deal went through.

"They made assurances on the anticipated end value and the sort of rent we could expect when it was built," Elaine, now 46, explains.

Based on that convincing assessment, the property should've paid for itself. The numbers looked good so Elaine and her partner used equity from their principal place of residence in Burwood in Melbourne's east to fund the purchase.

"We weren't on huge salaries at the time. Our combined household income was $70,000 and we had three teenage kids all going through high school, so the serviceability was an important consideration.

"They said the build would take six months to be finished but the land for the development wasn't even ready to subdivide. Nothing had gone through council, it turned out."

In the end, it took two years and by then that pocket of the city's outer suburbs had seen a massive amount of development activity. As a result, Point Cook experienced an oversupply that crushed house values and saw rents plummet.

"I tried to sell it straight away but there was no interest, even when the asking price dropped to around $360,000."

Unwilling to take that sort of financial hit, Elaine decided to hold on and hope for the best. Despite being told by the marketers to expect around $380 per week from tenants, she had to keep dropping her asking rent over an agonising period of three months.

"Eventually someone signed a lease for $300 per week. At that stage, the area's vacancy rate was 16 per cent. After the first year, I put the rent up by $10 but I've been too scared to move it any further because I don't want to lose the tenant."

She describes the investment as "one big money pit" that she has little choice but to sit on. In the first few years, it put enormous pressure on Elaine and her partner and required a large chunk of their income to service.

If not for an earlier positive experience with real estate, she might've given up at that stage of the game and never ventured out into the world of property again.

Thankfully, she knew it was possible to make money with bricks and mortar. Her negative experience with the Point Cook property reinforced the importance of timing, buying well and being strategic.

"Back when I was 21, I bought a house in Wyndham Vale in Melbourne for $80,000. It was essentially a shell – it had no carpets, curtains, fences or gardens. Property prices were going through the roof at the time and interest rates were 17.5 per cent. As soon as something was listed, it was sold."

That modest house was her way to get a foot on the ladder. Six months later the property market crashed and the value of her investment dropped by $30,000. Thankfully, it was her home so she could afford to hang on.

For the next decade, she lived in the house and put aside what money she could to fund improvements to it. She added an extra room, put down some carpet and finally had that fence put up.

In 1999, Elaine almost put it on the market, but decided not to when the agent's valuation came in at just $85,000. Instead, she rented it out for two years before eventually selling it for a much higher price of $175,000.

"That's how I knew that I could buy and sell property at the right time to make good money," she explains.

So, after that disastrous experience in Point Cook, she became determined to educate herself and try again – this time, utilising a clear strategy to improve her chances of success.

"I read magazines and books, I researched all of the terminology and the various numbers involved in a deal, looked at different areas to see what made them tick. I looked at a variety of strategies and then decided that my position meant positive cash flow was the way to go.

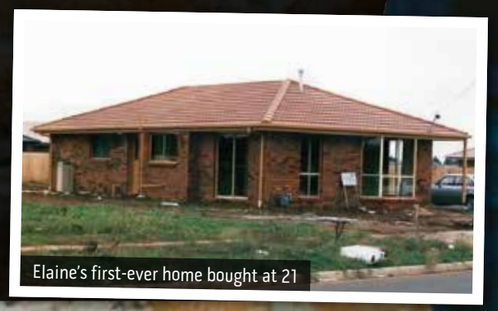
"For me, finding property that didn't seriously impact my serviceability meant I could continue moving forward."

Her first foray out again was in 2010 in the regional New South Wales town of Tamworth with the purchase of a four-bedroom house for $125,000. It currently rents for $240 per week.

Elaine fancies herself a bargain hunter and relishes the opportunity to nab a good deal. With the Tamworth property, she snapped it up for $50,000 below the asking price.

Similarly, a townhouse in the Brisbane suburb of Fairfield she bought last year for $420,000 was a staggering $45,000 below the listing price.

How does she do it? For one, she networks and stays in regular contact with real estate agents in areas she's interested in. They know she's a serious investor who doesn't mess about. Plus, she's pleasant, respectful and doesn't bother trying to bluff.



Elaine's first-ever home bought at 21

GEMMA CARR

"It's the hours you put in and the conversations you have with people that count. Be friendly, open and honest but don't have any emotion about a deal.

"Take the Fairfield townhouse. I'd actually signed a contract on one at the back of the complex for $420,000 but a pest inspection found termites in the retaining wall of the courtyard, so I pulled the pin on the deal.

"One at the front of the complex was for sale at the same time but for the higher price, so I managed to negotiate down to what I'd offered on the other."

Her philosophy is that you make money on the way into a deal, not just on the way out, so buying well pays big dividends. Her initial strategy also revolved around targeting lower priced properties with long-term growth drivers as well as immediate cash flow.

"The approach you take should mirror your circumstances, I believe. For me, being on a low income, it was about targeting high-yielding properties. Now I don't need as many cash flow properties and can probably focus more on capital city investments with better, quicker capital growth potential."

Elaine's focus has also been on a diversity of locations and her portfolio comprises her investment in the strong regional market of Tamworth, as well as properties in the outer Perth suburb of Quinns Rock, the central Queensland industry town of Gladstone and St Marys in suburban western Sydney, to name just a few spots.

For those Perth and Gladstone investments, it was about finding areas that were influenced by and benefited from the resources sector but didn't carry quite as much risk as a single industry town tends to.

"I'm now looking at setting up a SMSF to invest again – maybe a nice off-the-plan property with good tax benefits.

"I wouldn't mind finding another nice cash flow positive regional investment for the fund too. That'll see me out for the rest of the year.

"From there, I'd like to buy two or three investments a year and keep building the retirement nest egg."

Elaine's focus on her future financial security is driven primarily by the experiences of her elderly parents. She's determined to have her twilight years turn out vastly differently.

Her mum and dad came out to Australia as '10-pound poms' in their 20s with very little to their names. They spent their first few years down under living pretty cheaply in a youth hostel in Melbourne.

They eventually got on their feet and rented a housing commission property that they later bought. It was the first of many property investments and they spent their adult lives renovating and selling properties, banking the profits and moving on to new projects, Elaine says.

"They were good at it," she recalls. "They both worked full-time jobs too but spent any spare minute they could on property. They worked very hard and about 15 years ago they retired with $1 million in the bank.

"I couldn't believe it. Fifteen years ago, that was a lot more money and they were the richest people I knew."

Her parents bought a house in Tasmania and even occupied their free time over coming years with another couple of renovations, which netted them tidy profits. Despite their initial strong position and an ongoing income from property endeavours, they wound up with nothing.

It's a common but frightening reality that prompted Elaine to be more strategic about her own property journey and her retirement planning.

"Within a decade of retiring with $1 million in cash, they were on the pension. It was pretty much all gone. They lived off their own savings and it didn't last.

"If they'd taken even just half of that money they had in cash and invested it in 10 properties, they might very well have had a portfolio today worth a couple of million dollars, producing a couple of grand a week in rent."

That's her plan – to build a portfolio that allows her to be financially secure and live off a passive income without worrying about money. It's already working. Elaine no longer needs to work full time.

"I'm doing a bit of property mentoring to inspire other people who are starting out. It makes me happy that I can do that. I think my Point Cook experience drives a lot of that, helping people avoid the same sort of mistakes."

When she's not looking for her next deal or sharing her lessons with other rookie investors, you'll probably find Elaine throwing a line in somewhere.

"It's what I love but I can't spend all day fishing," she laughs. "Well, not quite yet anyway!"

A SNAPSHOT OF PART OF ELAINE CHASE'S PORTFOLIO

LOCATION	DESCRIPTION	PURCHASE PRICE	PURCHASE COSTS	DATE	CURRENT VALUE	MORTGAGE BALANCE	WEEKLY RENT	YIELD
Tamworth, NSW	4-bed house	$125,000	$10,000	2010	$195,000	$121,500	$240	9.2%
St Marys, NSW	3-bed townhouse	$260,000	$37,000	2010	$330,000	$237,000	$360	6.3%
Gladstone, Qld	2-bed townhouse	$305,000	$35,000	2012	$340,000	$278,000	$430	6.5%
Quinns Rock, WA	3-bed townhouse	$365,000	$30,000	2013	$380,000	$351,000	$450	5.9%
TOTAL		$1,055,000	$112,000		$1,245,000	$987,500	$1,480	

*PPOR – principal place of residence.


The Point Cook house


The St Marys townhouse


The Gladstone property

BONUS CONTENT

Use your smartphone or tablet and your favourite QR scanner app to listen to see a video Q&A with Elaine and Kevin Turner of Real Estate Talk

REAL ESTATE TALK .com.au

CHRIS ELFES

SUCCESS AFTER ADVERSITY

LEANNE ERKES
Portfolio value: $3 million
Number of properties: 10
Gross portfolio yield: 6.7%

Leanne Erkes and her husband Peter were thoroughly entrenched in an ambitious and aggressive strategy that was well on track to achieve them total financial freedom.

It was November 2008 and the public servant was four months pregnant with the couple's third child. By the middle of the next year, she was to give birth and then devote her time to being an active stay-at-home mum.

The success of their portfolio of 13 properties meant she wouldn't have to return to work. In a few years' time, Peter could also ditch his day job and together they'd have done it – they'd have met the goal they set a decade earlier.

And then the unthinkable happened. Peter suddenly and tragically died.

Leanne was left a single mother with a baby on the way and a massive amount of debt. Worst of all, the couple didn't have life insurance.

"I'm so angry with myself because I knew we needed it," Leanne recalls. "I had the life insurance paperwork sitting in

front of me and we were going to sit down and complete it together, but we just didn't get around to it. Why? I don't know. I was so across everything else to do with our portfolio.

"I'd said so many times, 'if one of us dies, we'll owe millions' and hammered home how much trouble the other would be left in.

"Actually, I feel a bit embarrassed by it all. The papers were sitting there, just sitting there. We spoke about it one night while watching television, about sorting the insurance. It was a 'yeah, we'll do that later' type of thing and then two weeks later he was dead."

Overnight, the rug was pulled out from beneath her. While supporting her grief-stricken girls, then aged eight and 10, and preparing for the arrival of her baby boy, she herself also had to come to terms with the unimaginable loss.

Plus, there was the matter of the property portfolio and its combined debt of around $2 million. Needless to say, there were a number of balls in the air.

"Most of the properties were at least break-even, so I wasn't financially ruined the next day. But as time went on, things became very tight. I was off work for some time with the baby and then could only go back part-time, so after a few years something had to give."

Her wage didn't go far and as her first two kids grew up, the bills also grew. As she light-heartedly recalls now, teenagers don't tend to pick cheap or free hobbies!

"The toys become so expensive – iPods and the like – and of course they choose horse riding rather than something else," she laughs.

One of her investments was a block of four flats in the western Queensland industry town of Mount Isa. It generated an annual cash flow of $74,000 and Leanne owed $250,000 on the mortgage.

In early 2010, her property manager phoned to say a potential buyer had approached him and wanted to snap up the whole block. Given the incredible cash flow, she declined the offer, but the investor persisted for several months.

"He hounded me. In the end, I started to panic a little. It's a riskier area and I'd always been a bit worried that one day when I needed to sell and was desperate, I wouldn't find a buyer. So, in July of that year I sold the block."

The sale brought in $680,000 and gave Leanne some much-needed breathing space. With the proceeds she paid off all of her personal debt and most of the mortgage on her family home in Shelly Beach. Finally she had some peace of mind.

A SNAPSHOT OF PART OF LEANNE ERKE'S PORTFOLIO

LOCATION	DESCRIPTION	PURCHASE PRICE	PURCHASE COSTS	DATE	CURRENT VALUE	MORTGAGE BALANCE	WEEKLY RENT	YIELD
Berkeley Vale, NSW	2-bed house	$125,000	$5,000	1997	$330,000	$50,000	$310	12.4%
Logan, QLD	3-bed house	$100,000	$5,000	2003	$265,000		$315	15.6%
Davoren Park, SA	2 x 3-bed duplex	$127,000	$3,000	2005	$165,000	$129,000	$175	7.0%
Toowoon Bay, NSW	2-bed villa	$250,000	$20,000*	2011	$290,000	$265,000	$335	6.4%
TOTAL		$602,000	$33,000		$1,050,000		$1,135	

*Includes renovation costs – new kitchen, flooring and paint


That first Berkley Vale investment


The Davoren Park house


One of the Logan properties

That left her with nine investments spread across the Central Coast of New South Wales, Logan in southeast Queensland and Adelaide in South Australia.

More than two years on, she still thinks about the day she relented and agreed to sell her Mount Isa property and describes it as her biggest single regret.

"I wish I'd never sold," she admits. "I keep going around in my head about it. The sale propped me up and that's what I needed, but I should've hung on to it."

It was more than a year until she had sufficiently regrouped and was in a position to buy again. She bought two villas on the Central Coast, one in Toowoon Bay and another in Berkeley Vale, in 2012, as well as another townhouse in Logan in July this year. That brings the total number of properties in her portfolio to 10.

She's now looking in South Australia, believing there are bargains to be found and some good medium to long-term capital growth prospects.

"People say to me 'I don't know how you've done it'. I don't either really. All I know is that I didn't have much of a choice. I'm by myself, I have kids to think of. I couldn't be crying in the corner – my job was to hold things together. It was sink or swim, so I swam."

What motivated her in those dark days after losing her husband and the challenging years that followed was the thought of the couple's original goals.

Together, they'd planned to get out of the rat race and enjoy the rest of their lives together. Their plan required a fair amount of sacrifice and calculated risk.

"We worked our butts off and never had any handouts or luxuries. He didn't get to see the benefits of our hard work. That is what has always made me determined to not give up or just throw it away.

"My kids deserve it too. I want them to enjoy the outcome of all of this one day and I'd love to be in a position to help them make a start themselves."

Leanne has always had an interest in property but her motivation really originated in a shop one day when she picked up a book by investor and property millionaire Jan Somers and got a full appreciation of the wealth-creation possibilities on offer with bricks and mortar. Absorbing a book by Margaret Lomas a while later cemented her determination. It was 2007 and she and her late husband had just bought their first home.

"A year later we bought our first investment property in Berkley Vale on the Central Coast. I had just started looking around in the area and came across this two-bedroom house. The

agent was very young – maybe 19 or 20. He told me that it was a mortgagee in possession sale and blurted out 'I know how much the bank wants for it'.

"He told us that they'd take $125,000 even though it was listed for much higher. So, that's what we offered and that's what we got it for. It's now worth about $300,000 and rents for $310 per week.

"That's where it began. That's when the plan to get out of the nine-to-five was hatched. That's still my goal."

So amazed are people when they hear Leanne's story that she's about to start a website, chronicling her journey and experiences so far. With the project, she hopes to inspire other women who've overcome adversity.

"I want to empower women – women who've come from hard times. They might be divorced, they might've hit money troubles or dodgy dealers might've ripped them off. They're probably thinking 'that's it for me'. It's not. My story shows you can get through it and move on."

The next chapters of Leanne's story are yet to be written, but property will remain a dominant theme. She's keen to continue buying properties that deliver strong cash flow and "look after themselves".

In her view, most markets are yet to bounce back from their post-GFC lows. There are great buying opportunities and Leanne hopes to capitalise on those favourable conditions.

"I'll accumulate as many as I can, as quickly as possible in the next few years and hopefully the market begins to move."

She tends to target newer or recently renovated property. As well as providing depreciation benefits at tax time, which can push a neutral asset into positive gearing territory, they're less likely to require costly maintenance over time.

"Nicer properties are appealing to tenants too. People like to live in something that's decent. Renovated or newer properties tick all the boxes."

In addition, Leanne seeks out properties on the cheaper end of the spectrum for serviceability reasons.

"My strategy is to hold on to everything. I want to hold until I'm ready to leave the workforce."

At that point, she'll sell a portion of her holdings to clear her debt, then live on the income-producing properties left.

"I've done well for myself and I haven't really bought any lemons – maybe that's luck," Leanne rather modestly says on reflection. "Well, I suppose, to pat myself on the back a bit, it's the outcome of clear goals and research. And perseverance."

JOE LARRARTE

PROPERTY TRUMPS SHARES

LAYNE ESTERMAN
Portfolio value: $3.1 million
Number of properties: 6
Gross portfolio yield: 5.2%

Layne Esterman was busy raising her two kids when her husband sadly died in 2002. All of a sudden, she was left to contend with a sizable mortgage on the family home and a mountain of bills, all while working a low paying part-time job.

For the next year, she says grief left her a "total basket case" and the tough task of being a single mum left her without any energy to deal with much else.

"I was trying my best to provide for my family on my own and it was a very tough road," Layne, now 54, recalls. "All I had was the family home and nothing else, and the property needed a lot of work done to it. Kitchen cupboards were literally falling on my head and the bathroom was sinking through the floor."

The urgency of those repairs acted as a sort of catalyst for trying to sort out her financial future, she says. So, when she received a payout from her husband's employer and life insurer, Layne wanted to put the money to good use.

First thing first; she cleared the mortgage on her principal place of residence before then making an appointment to see a financial planner.

"Everyone's advice was to put money into superannuation. It was a few years before the GFC. Like many women my age, I didn't have a huge amount of super.

"So, I put $100,000 into my managed (retail) super fund and for a while it grew. The statements would come and show I was in a pretty good position."

That good run didn't last and as the subprime mortgage crisis in the US took hold, financial markets collapsed.

"It just went backwards until most of it had disappeared," Layne says of her fund's balance. "The chap giving me advice cottoned on and suggested I take out what was left and put it in cash, so that's where it has sat ever since."

Super returns from sharemarket investments have since returned to the black, while returns from cash have slid.

"It's going backward again and after costs and the fund's insurance premiums on top of that, it's running at a loss of about $5000 per year. I expected the adviser would tell me to put it somewhere else, but he hasn't."

If she could go back in time, Layne says she'd avoid investing such a large amount of money in super and shares and instead divert it towards bricks and mortar.

Such a scenario would've generated a vastly different outcome – of that she's certain. Why? Around the same time she put money in super, Layne also invested in property and the results couldn't be starker.

"I had started working for a property investment advisory so I was surrounded by real estate. It was then that I decided I needed to take charge and ensure I could look after myself in retirement, and property looked like a good way of doing it."

In 2005, Layne borrowed against her home in Sydney and bought a three-bedroom townhouse in the West Australian mining town of Kalgoorlie for $260,000. While it hasn't seen huge capital growth, she says the rental returns are "phenomenal".

"I have a great lease on that property so it delivers $450 per week and is very cash flow positive."

Around the same time, she also bought a three-bedroom townhouse in the Perth suburb of Bentley for $270,000. In contrast to her other WA investment, this property has grown sharply in value to $420,000.

"On top of that, it rents for $430 per week and is also cash flow positive."

Her search for long-term security for herself and the family was paying off. She took a break for a few years after that, but when a new work opportunity saw Layne relocate to Queensland, she again used equity from her Sydney property and took a few more steps on the property ladder.

They included two townhouses on the Gold Coast and another in the northern Brisbane suburb of Burpengary. Those markets haven't experienced much movement since then but she's hopeful of their long-term growth.

"My strategy was a little haphazard around that time, I guess you could say. That's when I recognised that I needed to be a bit more structured with my purchases and I've now got a plan to target more higher-yielding properties."

After some time in Queensland, Layne moved home to Sydney and it's there that she's now keen to focus her investing attention. Her research indicates there are pockets in her price range where the growth potential is strong.

"I've remarried so my husband and I are looking at paying down the mortgages and continuing to build a strong property portfolio for our retirement," she says.

Her ultimate goal is to eventually have 10 positively geared properties. A few will be funded in a small part by the balance of that original $100,000 super investment.

Layne's experience of leaving her money in the hands of someone else has prompted her to explore the self-managed superannuation fund (SMSF) path. It's an option many Australians have jumped at, after seeing their nest eggs ravaged in recent years.

"I'm no longer content to rely on someone else to look after my financial interests. I haven't had a positive experience so I want to get proactive and start the process of getting out what's left. We'll look at starting a SMSF and invest in a few more properties."

BONUS CONTENT

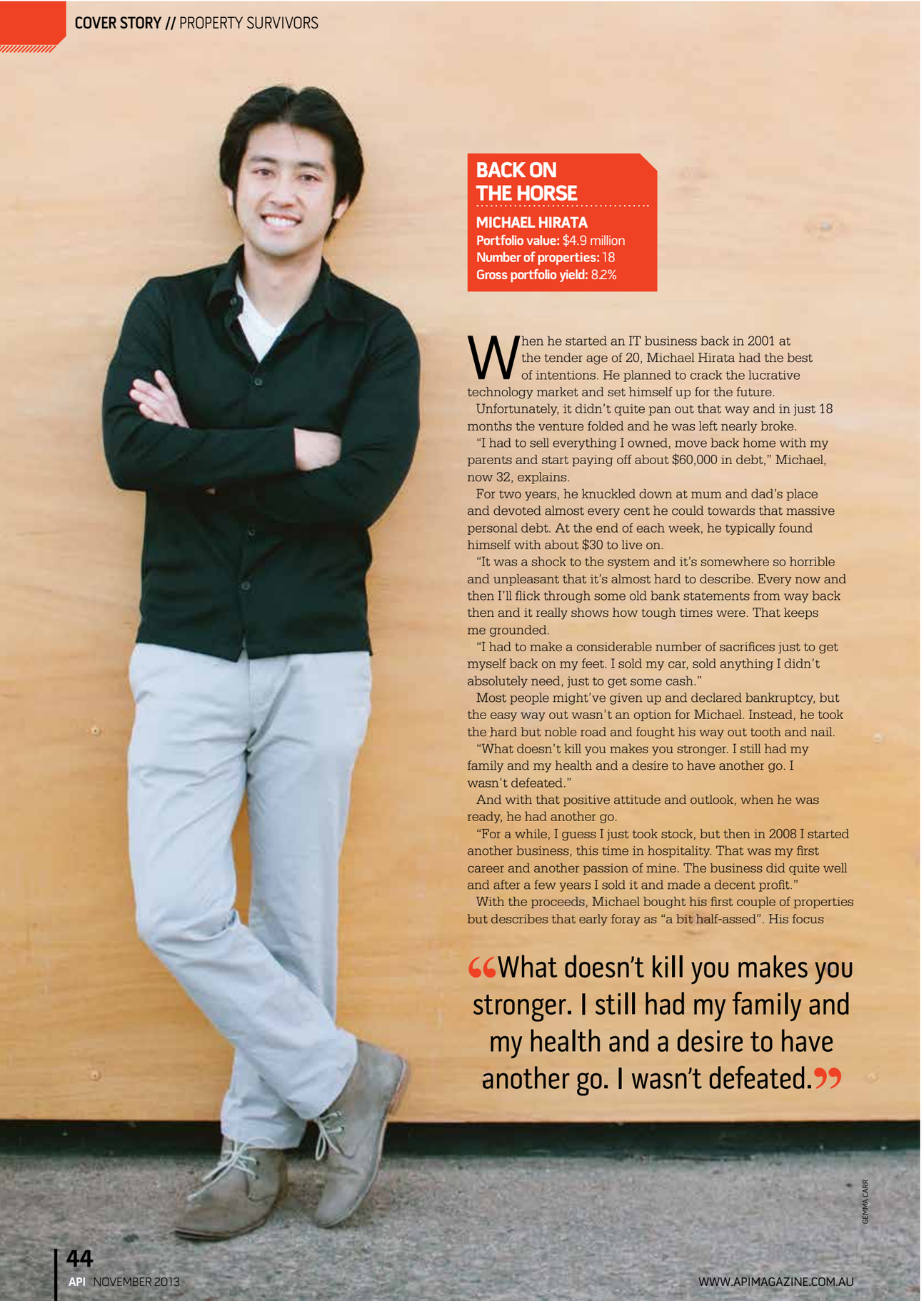
Use your smartphone or tablet and your favourite QR scanner app to see a photo gallery of some of Layne's investment properties.

scan.me/rt5cg7

A SNAPSHOT OF PART OF LAYNE ESTERMAN'S PORTFOLIO

LOCATION	DESCRIPTION	PURCHASE PRICE	DATE	CURRENT VALUE	MORTGAGE BALANCE	WEEKLY RENT	YIELD
Newport, NSW	4-bed house	$370,000	1993	$1,100,000	$576,000	PPOR*	
Kalgoorlie, WA	3-bed townhouse	$265,000	2005	$320,000	$217,000	$450	8.8%
Burpengary, Qld	3-bed townhouse	$295,000	2007	$320,000	$235,000	$320	5.6%
Carrara, Qld	3-bed townhouse	$270,000	2007	$350,000	$227,000	$360	6.9%
TOTAL		$1,200,000		$2,090,000	$1,255,000	$1,130	

*PPOR – principal place of residence.



GEMMA CARR

BACK ON THE HORSE

MICHAEL HIRATA
Portfolio value: $4.9 million
Number of properties: 18
Gross portfolio yield: 8.2%

When he started an IT business back in 2001 at the tender age of 20, Michael Hirata had the best of intentions. He planned to crack the lucrative technology market and set himself up for the future.

Unfortunately, it didn't quite pan out that way and in just 18 months the venture folded and he was left nearly broke.

"I had to sell everything I owned, move back home with my parents and start paying off about $60,000 in debt," Michael, now 32, explains.

For two years, he knuckled down at mum and dad's place and devoted almost every cent he could towards that massive personal debt. At the end of each week, he typically found himself with about $30 to live on.

"It was a shock to the system and it's somewhere so horrible and unpleasant that it's almost hard to describe. Every now and then I'll flick through some old bank statements from way back then and it really shows how tough times were. That keeps me grounded.

"I had to make a considerable number of sacrifices just to get myself back on my feet. I sold my car, sold anything I didn't absolutely need, just to get some cash."

Most people might've given up and declared bankruptcy, but the easy way out wasn't an option for Michael. Instead, he took the hard but noble road and fought his way out tooth and nail.

"What doesn't kill you makes you stronger. I still had my family and my health and a desire to have another go. I wasn't defeated."

And with that positive attitude and outlook, when he was ready, he had another go.

"For a while, I guess I just took stock, but then in 2008 I started another business, this time in hospitality. That was my first career and another passion of mine. The business did quite well and after a few years I sold it and made a decent profit."

With the proceeds, Michael bought his first couple of properties but describes that early foray as "a bit half-assed". His focus wasn't as fine-tuned as it could've been and there was no real strategy behind his acquisitions, he says.

> "What doesn't kill you makes you stronger. I still had my family and my health and a desire to have another go. I wasn't defeated."

"They were decent investments but I probably wouldn't buy them now," he concedes.

The next year, he met a property investor who was younger than him but had amassed an enviable portfolio. From chatting with him, Michael discovered the importance of researching, selecting the right property, adding value and leveraging. This meeting inspired Michael to get serious and he describes it as his "light bulb moment".

It also helped him devise a strategy to suit his risk profile, which was very aggressive to suit both his personality and ambitious goals, he says.

With a total of $70,000 in cash, comprising $40,000 left over from the sale of his business and a balance of savings from his modest salary, he got serious in a big way. Despite on paper earning just $35,000 a year, he snapped up an incredible 10 properties over the course of 2012.

Given his serviceability was lower than most investors, he sought out lower priced properties to get going.

"I bought affordable properties and really tried to buy below market value, focusing on generating value with renovations," he explains.

"The most expensive property I bought was $230,000 and the cheapest was $60,000. I'd renovate and refinance and use the increased equity to keep accumulating."

Michael tracked down these bargain-basement properties, many of them in need of some elbow grease and TLC, with the help of specific search alerts on realestate.com.au.

He also targeted former commission housing properties or anything that "had a bit of a stigma" and might frighten away owner-occupiers. That way, the competition was reduced and his ability to negotiate on price was boosted.

"One house in Elizabeth in South Australia had barely any walls in it," Michael recalls. "Every wall had holes or was covered in a significant amount of graffiti. I thought it had been abandoned but apparently someone was living there before I bought it.

"It was something to see. The graffiti was so thick that it took about seven coats of paint to cover it all."

That particular property, a three-bedroom house, was purchased in June 2012 for $150,000 and despite needing a lot of work, Michael's repair bill was just $5000. That got him a basic but new kitchen, paint inside and out, a backyard shed and some new walls.

The house also required a new hot water system, electrical wiring and copper piping, as they'd all been stolen!

The plucky Melbourne investor had little fear of buying outside of his geographic comfort zone. In fact, those 10 properties he bought last year span Ballarat in Victoria, Cessnock in New South Wales and Smithfield Plains in South Australia, to name just a few areas.

For the five renovation projects he took on in 2012, Michael would pack up his tools, head to the location he'd just bought in and get his hands dirty, doing as much work himself as he could manage.

"I'd hire a professional on an hourly basis to help and try to smash over a renovation project in two weeks. It's not easy building all of those contacts in a new location, but once I found someone things usually took off pretty quickly from there.

"To save money and time, I'd tear out the old kitchens, do the painting, sort out the gardens, fix minor repair issues.

A SNAPSHOT OF PART OF MICHAEL HIRATA'S PORTFOLIO

LOCATION	DESCRIPTION	PURCHASE PRICE	PURCHASE COSTS	DATE	RENO COSTS	MORTGAGE BALANCE	CURRENT VALUE	WEEKLY RENT	YIELD
Ballarat, Vic	2-bed house	$168,000	$6,500	April 2012	$15,000	$134,000	$215,000	$245	6.7%
Smithfield Plains, SA	3-bed semi-detached	$85,000	$4,000	June 2012	$16,000	$68,000	$140,000	$220	10.9%
Ashmont, NSW	3-bed house	$60,000	$2,500	May 2013	$10,000	$100,000	$140,000	$215	15.4%
Logan Central, Qld	3-bed house	$170,000	$6,000	August 2013	$15,000	$184,000	$230,000	$310	8.4%
TOTAL		$483,000	$19,000		$56,000	$486,000	$725,000	$990	

"I discovered a lot about renovation. I even taught myself how to tile."

The hands-on experience usually paid off. For one of his Cessnock properties, a three-bedroom house, he paid $150,000 in July 2012, spent $15,000 on a renovation and had it valued a few months later for $220,000.

"Buying something, fixing it up and improving its worth is pretty rewarding and about as creative as I can get. It's nice and I feel accomplished at the end of it, especially adding value to something.

"It was a bit tough at times during 2012 to juggle everything with such a fast acquisition, but that's where buying below market value came in handy. The lower prices meant my portfolio was mostly cash flow positive – some positive, a few neutral."

For the first half of this year, Michael again focused on buying more affordable properties and manufacturing equity. His travels took him to the Logan Shire, halfway between Brisbane and the Gold Coast, where he bought two houses. He managed to increase their value with significant renovations.

"For a while now, I've been keen to do something a bit bigger and take on a development. I spent some time late last year exploring the possibility of taking on a joint venture partner but it didn't really come to anything.

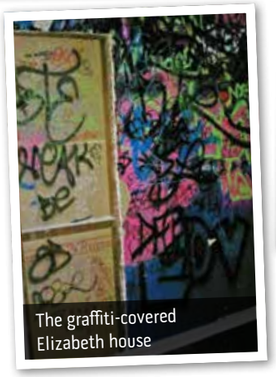
"I had equity in my portfolio and came across a 960-square-metre site in Hawthorne in Melbourne a few months ago, so I bought it."

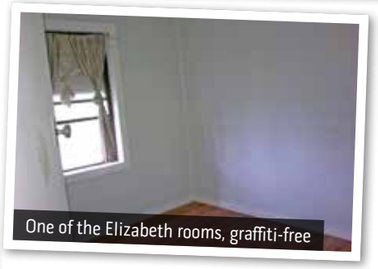
Taking a big step towards his next goal, Michael signed a contract for $1.75 million for the block in August. It's currently occupied by a four-bedroom house that the former owner rents from Michael. All going to plan, that structure will eventually make way for a unit block project.

Whether he develops it himself with the help of an equity partner or instead gets planning approval and on-sells the whole thing to someone else to build is still unclear. It's early days and Michael has just started down the road of putting together an application to council.


The Ballarat kitchen - before


The Ballarat kitchen - after


The graffiti-covered Elizabeth house


One of the Elizabeth rooms, graffiti-free

"I've had two meetings with council planners to flag my early ideas and also checked out a few of the other developments in the area.

"This site is near a huge university, which will be great for future rent potential. It's on a main road so it'd probably appeal more to investors. I've chatted to an architect, an accountant and local agents.

"I would like to do 24 apartments over three levels with a basement car park. I'm still thinking about the right balance of one and two-bedroom units. You don't want to wind up with dwellings that are too small or too narrow for the end market, so my plan is only rough at this stage.

"I've got an idea of what I want to do and I'll work on fine-tuning it over the next couple of months. When I've finalised what's suitable for the site, I anticipate that getting planning approval for that will take about nine months."

Michael readily admits his leap into the world of development is quite ambitious but believes starting smaller would've come with just as many risks.

"Yes, this is riskier than taking on a small townhouse project or something similar, but it requires a similar amount of time and effort. Based on everything that's involved and the different timelines for each process – planning, construction and sales – a block of 23 units will take the same amount of time as four townhouses.

"The way I see it, at the end I'd get two very different results in terms of profit and potential cash flow."

After his fair share of darker days, Michael's future now looks very bright and he credits his ability to bounce back to his incredible sense of optimism. He learns from his missteps, adjusts his focus and alters his approach, he says.

"I like trying new things, I like learning. I'm in a position to have a go, take on more risk. If I had a wife, kids and a family home to pay off, it might be different, but for now I can do it… so why not?" API

API Connect

Do you have a question for one of the property survivors? Turn to page 81 for the simple steps on how to send it in and receive an answer.