

THE PROPERTY MILLIONAIRES ISSUE

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February 2014

MOST
PROPERTY
PRICE GUIDE
5,000+ SUBURBS
RESEARCHED

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How we made our **MILLIONS** *from scratch.*

Australia's successful
investors reveal their top tips
for building multimillion-dollar
property portfolios



47 FASTEST GROWING RENTAL SUBURBS

- ✓ Cash flow up to \$252 pw
- ✓ Rental growth up to 44%
- ✓ Excellent capital growth

TAX: 9 PITFALLS TO AVOID WHEN BORROWING THROUGH YOUR SMSF



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How we're making big profit in every deal

Fearing for their lives in Zimbabwe, Hanneke and Peter Taylor migrated to Perth and started an impressive property portfolio that would inspire their children to do the same. Hanneke tells John Hilton how her family's passion for investing helped make them about \$50,000 per property deal

Days are never dull in the Taylors' household. Apart from owning three properties, Hanneke and Peter Taylor both work full-time and have five children, two of whom have also begun investment portfolios.

For nine years, they have lived in the suburb of City Beach in Perth, where they rent a home with beautiful ocean views.

But the Taylors have always been interested in property investing. They've done it all before in Zimbabwe, where Hanneke and Peter both grew up in a poverty-stricken area and consequently learnt the importance of saving for the future.

They purchased their first property, a house, in 1984, and from there, together with their family, amassed an impressive portfolio by any standard. This included nine houses, four shops, many offices, three warehouses, a farm, a restaurant and a supermarket, which they all ran themselves.

"From memory, at one stage we were managing and dealing with approximately 34 tenants, some of whom had started to partition and sublet various offices to strangers," says Hanneke. "To this day, I don't know how we did it. It was a nightmare!"

However, Zimbabwe's dire economic position meant inflation was always an issue, and was impossible to keep up with, let alone trying to operate a business with ongoing power cuts and erratic fuel and water supplies.

"Inflation was that bad that we had to increase the rentals towards the end on a monthly basis," explains Hanneke. "And the rentals are obviously nothing compared to what we receive here. To give you an example, the rental of our supermarket was based on 1.5% of the yearly turnover, but there was a period when there was a critical shortage of commodities. We were forced to chain off the aisles as there was hardly anything to sell, resulting in a rental that was only worth a few bags of toilet paper, if that."

Sadly, after losing a dear friend who was shot and killed in an armed robbery, and having dogs poisoned, vehicles stolen, as well as many attempted burglaries at their properties, the Taylors decided to rethink their situation.

"Eventually, we were forced to leave the country because of the economic situation and our lives were constantly in danger," says Hanneke.

So they came to Australia and started rebuilding their wealth from the ground up.

Before they could invest in Australia, Hanneke and Peter had to get their heads around the rules and regulations, which are nothing like Zimbabwe's. What made it more complicated was that all states in Australia are governed by different legislation, and the Taylors had their eye on a property in the Western Sydney suburb of Pemulwuy.

After finding a mortgagee sale through Positive Real Estate, Hanneke and Peter took the risk of purchasing the property (sight unseen) for \$320,000. Had they had their time again, Hanneke would have loved to have negotiated harder for a lower deposit and a better price.

"Unfortunately, we ended up putting 10% down," Hanneke says. "So maybe we should have tried for 5%."

Hanneke has discovered a passion for negotiation, and that's the side of investment property she enjoys specialising in.

"Peter, being an accountant, and I work well as a team and always enjoy a challenge. He does the financials and I take care of the negotiating," says Hanneke. "I just get a thrill every time I'm able to negotiate a discount and achieve a good price as the end result."

In 2009, the Pemulwuy property's rental value was \$330 per week, but it has since risen to \$390 per week. It's now worth \$370,000, an impressive \$50,000 profit.

And the future signs are promising, with the population of Western Sydney expanding and Parramatta becoming the sixth largest CBD in Australia. Additionally, NSW planning minister Brad Hazzard has announced a strategy to create 300,000 new jobs in the city's west by 2031.

Now that Hanneke had more confidence in negotiation, she was determined to help her son Maarten get the best possible deal for a unit in the Perth suburb of Churchlands in May 2012. She successfully brought the price down from \$269,000 to \$259,000, with rent valued at \$295 per week.

DEAL 1

Pemulwuy, NSW

Deposit

10% (\$32,000)

Market timing

At time of purchase:

6 – Bottom of the market

Now:

7 – Rising market

Vacancy rate

August 2009: 2.3%

August 2013: 1.4%

Rental yields

August 2009: 4%

August 2013: 5.6%

Purchase price

Stamp duty: \$9,910

Legal fees: \$4,098

Total: \$14,008

Property: \$320,000

Total: \$320,000

End valuation: \$370,000

Profit: \$50,000

Contributing market drivers

Infrastructure

- M4 Motorway
- Great Western Highway
- Greystanes High School
- Parramatta CBD 8km
- 30km to Sydney CBD
- Cadbury, Schweppes
- Boral

Population growth

- Population of Sydney expanding
- 300,000 new jobs in Western Sydney by 2031 – planning minister Brad Hazzard

Economics

- Parramatta CBD 8km away
- Parramatta \$14bn economy
- Parramatta sixth largest CBD in Australia

Demographics

- 66% of population are married
- 30% of the population are professionals
- 19% are clerical and administrative workers
- Household weekly income \$2,350

Strategy

Buy at a discount

The Taylor family's property portfolio

Location	Type	Purchase date	Purchase price	Loan	Current value	Original rent	Current rent (weekly)	Current yield
Pemulwuy, NSW	2-bed, 2-bath unit with underground parking	Aug-09	\$320,000	\$288,000	\$370,000	\$330	\$390	5.6%
Churchlands, WA	2-bed, 1-bath unit with secure undercover carport	May-12	\$259,000	\$244,920	\$320,000	\$295	\$430	8.63%
Stafford, QLD	2-bed, 2 bath unit with garage	Jun-11	\$370,000	\$340,543	\$370,000	\$350	\$412	5.8%
Churchlands, WA	2-bed, 2-bath unit with secure undercover carport	Oct-12	\$277,000	\$268,654	\$320,000	\$300	\$450	8.44%
Highgate, WA	2-bed, 1-bath unit with secure carpark	May-13	\$375,000	\$343,663	\$380,000	\$430	\$500	6.9%



Moreover, Maarten only contributed \$9,300 to the property, \$8,300 of which was legal fees. In order to ensure no stamp duty and a First Home Owner Grant of \$7,000, Maarten first lived in the property for over a year.

"With \$10,000 in savings, absolutely anyone should be able to start off with a low entry level property," says Hanneke.

The next step was renovation. Hanneke and Peter carried out a cosmetic renovation for just \$654 by painting the inside and furnishing the entire unit with good-quality, second-hand

furniture. Then in July 2013 they rented it out for \$430 per week, which worked out to be a 8.63% rental yield. The end valuation is now \$314,000, equalling a \$53,346 profit.

Furthermore, as Maarten's circumstances changed, he vacated the property after living in it for a year and now doesn't put a cent towards it. Due to the rental income and depreciation, it pays for itself.

By keeping a close watch on the market, Hanneke and Peter noticed vacancy rates in Perth were tightening, so they put in an offer for another unit in the same complex as Maarten's, just five months after his deal.

But they soon discovered that prices were shifting, and it was only Hanneke's fierce negotiations that reduced the price to \$277,000. The yield was 6% at that time.

Again, they renovated and furnished the unit to add value. This time, however, they chose to do a short-term let for four months while the market was hot, and successfully achieved a gross rental income of \$1,050 per week for that property alone. But when the mining boom began to wane, the Taylors decided to rent it out on a long-term basis at \$450 per week. Its end valuation of \$310,000–\$340,000 has resulted in a profit of between \$32,351 and \$62,351.

"When we purchased the Churchland units, our strategy was to buy a property at an affordable low-to-median price range, in a desirable area with the opportunity to add value, which could achieve good rental yields and be easy to sell

DEAL 2

Churchlands, WA

Market timing

At time of purchase:

8 – Start of recovery

Now: 9/10 – Rising market/hot market

Vacancy rate

August 2012: 1.7%

August 2013: 1.5%

Rental yields

August 2012: 5.82%

August 2013: 8.12%

Purchase price

Stamp duty: n.a.

Legal fees: \$950

Total: \$950

Property: \$259,000

Renovation: \$654

Total: \$259,654

End valuation:

\$314,000 (with similar units in the area selling for \$340,000)

Profit: \$54,346

Contributing market drivers Infrastructure

- The Australian Government is investing an unprecedented \$3.7bn in WA land transport infrastructure as part of the Nation Building Program over the six years to 2013/14, with a Budget commitment of \$2.4bn over 2012/13 to 2015/16
- A significant component of this funding is focused on making Perth a more 'liveable city' through improvements to urban infrastructure
- Gateway WA
- Perth City Link
- Widening of the Kwinana Freeway between the Leach and Roe Highways (\$29m)
- A new intermodal facility at Kewdale, a rail crossing loop and further development of the North Quay rail terminal (\$26.8m)
- Widening the Great Eastern Highway from Kooyong Road to the Tonkin Highway (up to \$275m)
- The Great Eastern Highway and Roe Highway interchange (up to \$68.8m)
- The completed Reid Highway and Alexander Drive interchange (\$10m)

Roe Highway interchange (up to \$68.8m)

Population growth

Overall, metropolitan Perth is anticipated to increase by 481,800 people between 2012 and 2026

Demographics

- The median/average age of the Churchlands population is 36 years, one year below the Australian average
- 57% of the population of Churchlands are employed full-time, 33% are working part-time. Churchlands has an unemployment rate of 4.7%
- The main occupations of people from Churchlands are: professionals 37.4%, managers 15.1%, clerical and administrative workers 13.4%, community and personal service workers 9.2%, sales workers 8.9%, technicians and trades workers 7.1%, labourers 5%, machinery operators and drivers 2.5%



» "With \$10,000 in savings, absolutely anyone should be able to start off with a low entry level property"

at any stage of the market," Hanneke says.

Despite her impressive result, she warns against buying a unit in too large a complex, because any change in the market could see it vacant for a long period of time. "Should you perhaps wish to sell, you will be competing against many others at the same time, which may result in a decrease in value."

Deal 3. Stafford, Queensland

In addition to the properties in Pemulwuy and Churchlands, the Taylors bought a unit for \$370,000 in the Brisbane suburb of Stafford, in 2011. And it was through this transaction that they learned about the risks of buying sight unseen.

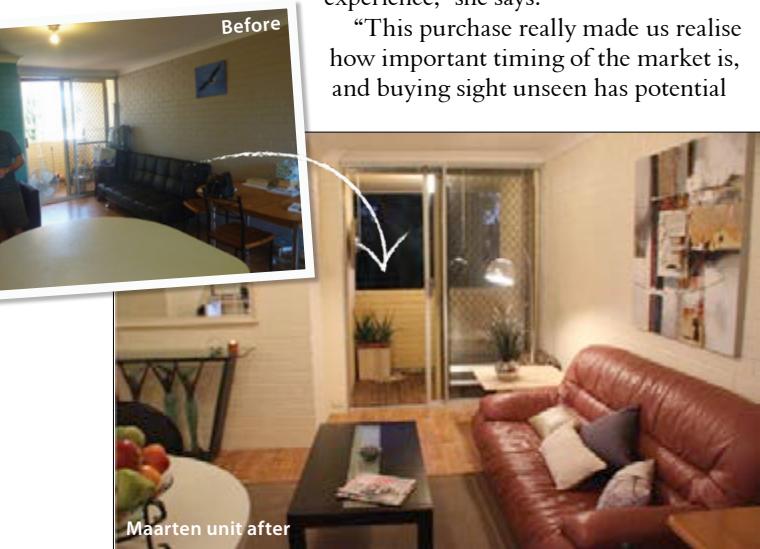
After they had bought the unit, they got a bit of a shock when they went to see it and discovered what it was bordering and overlooking.

"It actually overlooks a huge mound of rubble in an isolated car park bordering the back end of a shopping centre," laughs Hanneke. "We didn't see in the photos what it was overlooking. To make matters worse, there is also a skating rink operating next door churning out endless noise, especially weekends! There is a potential risk from that. But it had saved us time not going there."

At the time that Hanneke was going through the Stafford deal, she admits to failing to analyse the stage the Queensland market was at and the impact of the floods. She says she was mainly focused on diversifying their portfolio and getting into an area that potentially would achieve capital growth as a direct result of the construction of the new busway/airport link.

"Had we realised Brisbane's market was depressed at the time and the position of the unit, we would have certainly attempted achieving a far better discount. But that comes with experience," she says.

"This purchase really made us realise how important timing of the market is, and buying sight unseen has potential



DEAL 3

Churchlands, WA

Deposit

\$18,000, which is 6.5% of total purchase price of \$277,000

Market timing

At time of purchase:
8 – Start of recovery

Now:
**9/10 – Rising market/
hot market**

Vacancy rate

October 2012: 1.7%
August 2013: 1.5%

Rental yield

October 2012: 6%
August 2013: 8.44%

Purchase price

Stamp duty: \$7,961
Legal fees: \$950
Total: \$8,911

Property: \$277,000

Renovation: \$649

Total: \$277,649

End valuation:

\$310,000–\$340,000

Profit: \$32,351–\$62,351

risks, but the experience we gained from this deal has been invaluable, says Hanneke.

Future is bright

The Taylors' plan is to hold on to their properties and use the equity they build up to reinvest. They're also in the process of buying a property through their self-managed super fund.

"Even though we hold down full-time jobs, have five children, there is no excuse to hold back. We have had to juggle our time and make the necessary sacrifices to achieve our goals," Hanneke explains. "Every deal we've entered has made us so much more confident. Since we joined Positive Real Estate, we have gained substantial experience and knowledge, which has helped us to reach our goals. David's support and expertise as head coach for Western Australia has been unlimited and invaluable."

Her advice to budding investors?

"Keep yourself informed of what stage the market is at; surround yourself with experts. Subscribe to investment property magazines, attend seminars, diversify and be prepared to take a risk! If you want to achieve capital growth, find a property one can add value to – ideally strategically and well located. You can hardly go wrong with that."

Nowhere in Australia is out of bounds for the Taylors' future investments. But if one thing's for sure, they won't be putting all their eggs in one basket. "Probably what we would like to do is diversify further," says Hanneke. "Maybe Adelaide so we can eventually have a property in every state."

In the interim, they have recently completed negotiations and renovations for a \$375,000 property for their daughter Krystine. The unit in Highgate, Perth, was receiving rent of \$430 per week (5.9% rental yield), but with the addition of brightly coloured, stylish furniture they achieved a rent of \$500 (6.9% rental yield) per week.

Meanwhile, Hanneke and Peter's youngest son is also following in their footsteps.

"He has only just turned 16, but he's already got \$13,000 saved up for his property," says Hanneke. "He's established goals after seeing what we've achieved." ♦