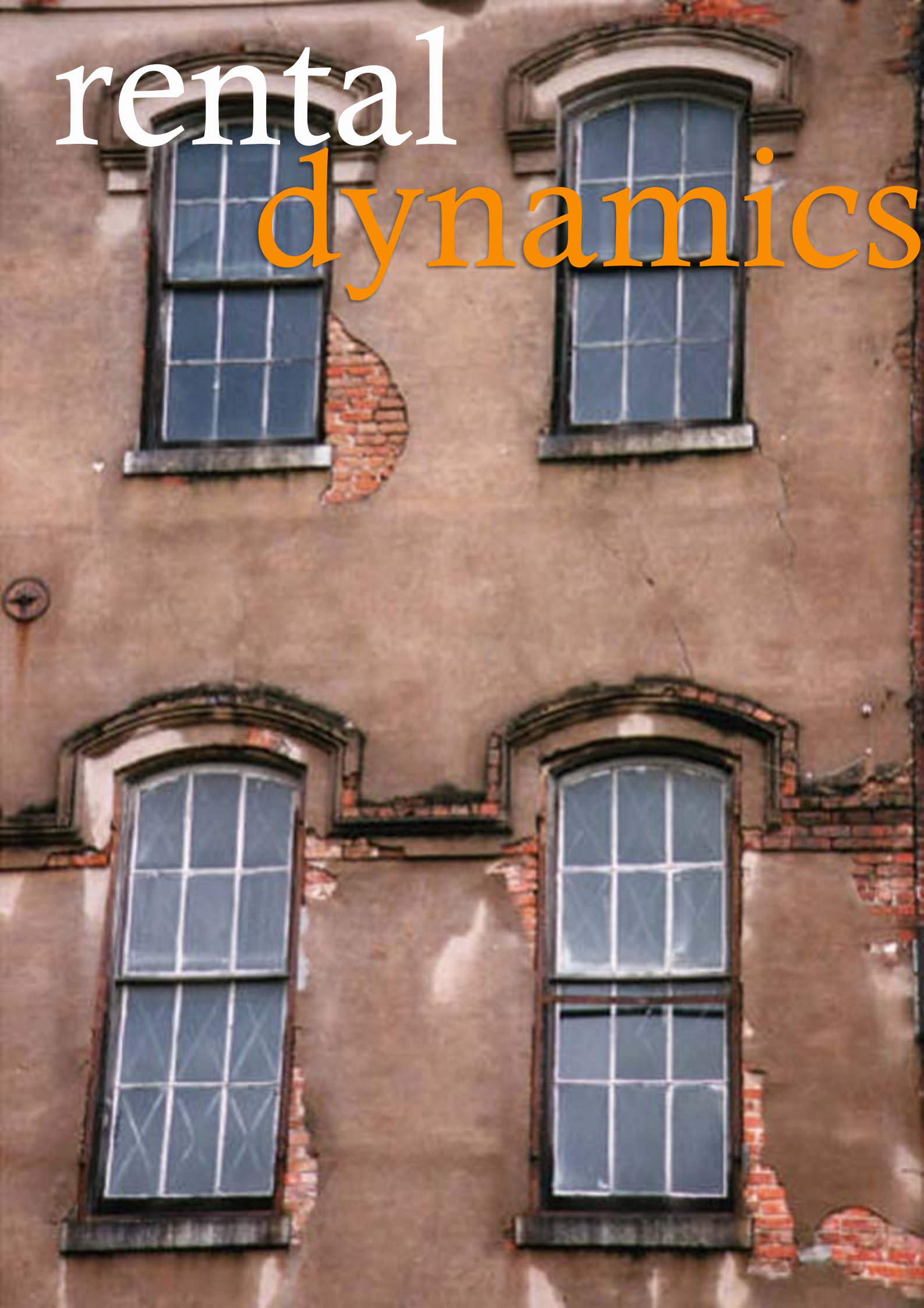


rental dynamics



Rental Dynamics

CONTENTS

Disclaimer	3
“Equity lease” rental system	4
The lease purchase agreement	7
Superior rental dynamics	10
Who are suitable tenants?	11
Leasing strategies	12
Instalment purchase	14
Examples of advertisements	16
Creative positive cash flow for rental	17



Australian Property Investors Network Pty Ltd is not:

- a licensed investment advisor or planner
- a licensed real estate agent
- a licensed financial planner or advisor
- a qualified or practicing accountant
- a qualified or practicing finance professional

All information including materials referred to or provided to the recipient by Australian Property Investors Network Pty Ltd (APIN) has been developed by Australian Property Investors Network Pty Ltd solely from personal experiences and research as an investor and is referred to, or provided as, a typical model or framework which is referred to or provided by the way of example only and is not intended to be, nor is it accepted as, specific investment recommendations or advice to the recipient.

The laws relating to finance, property, investment and taxation are constantly changing and whilst all care is taken in the formulation, presentation, and dissemination of the information APIN does not warrant the accuracy of the information nor the appropriateness of the information for the recipient's specific investment requirements.

No investment decision should be made by the recipient based solely on the information provided by APIN and the recipient should obtain independent financial and legal advice in respect to special to specific investment.

Release: The recipient releases absolutely APIN from all and any responsibility or liability for any losses claims or demands that may be incurred as a result of the recipient using the information for investment or other purposes.

Restraint: The recipient hereby agrees that it may not (whether expressly or implies) represent or hold out to any person that the recipient is a representative, agent, employee, and partner or in any way connected with APIN.

Confidentiality: The recipient hereby agrees that the proposals, documents, concepts, ideas, calculations, formulae, intellectual property and any other materials or proprietary information (whether written or oral) given to the recipient are strictly confidential and remain the intellectual property of APIN. Proprietary information may only be used by the recipient within the scope of the material and may not be adopted or used for any other purpose, in particular to conduct any other promotional or marketing activity, without the prior written consent from APIN.

Privacy: APIN is bound by, and committees to, supporting the National Privacy Principles (NPPs) set out in the Privacy Amendment (Private Sector) Act 2000. Our Privacy Policy addresses any potential concerns you may have about how personal information you provide to us is stored, used, and accessed, this information can be accessed by applying in writing to: Australian Property Investors Network Pty Ltd, Suite 33, Level 3, 1-7 Jordan Street, Gladesville NSW 2111 (ACN 120 319 897).

“equity lease” rental system

Create long-term positive gearing through maximised rental.

- Offer the tenant an equity profit share in the property.
- The tenant has the opportunity to share in their own ‘maximised property’ using none of their own money, without incurring any debt, and without any of their effort.
- The ‘home owner’ and JV partner “the tenant” share 20% to 50% of the property’s capital gain profit.
- You can’t save up the deposit fast enough to get the property to break even in 5 years as your deposit and equity will grow in 5 years as your deposit and equity will grow.
- 50% profit share for 10 years tenancy.
- Upgrades done by agreement with an agreed increase in the rent each year.
- The tenant must make payments on time and keep the property in good condition.
- Get the tenant to pay for any cosmetic renovation, approval by you as a condition in the contract.
- Minimum stay
1 year - no benefits
5 years - 20% - 30%
10 years - 50% but 30% if they don’t reach 10 years
- Steady consistent cash flow guaranteed by the tenancy agreement.



- Insurance against the market.
- Aim for a 5% rental return and 3% growth each year.
- Allow the tenant to have a caveat over the property.
- The landlord pays for all the government taxes and property expenses.
- Lease the premises fully furnished.
- Ensure that a detailed furniture package is provided and signed by all parties.
- The tenant keeps all the furniture and the equity profit share if the following happens.
 - a. the tenant pays all their rental payments and bills on time
 - b. payments will be done by direct credit every month
 - c. the property is maintained in impeccable condition (internally and externally)
 - d. there is no default of Leasing Agreement
 - e. the tenant ‘rejuvenates’ or re-instates the property to it’s ‘original’ condition (subject to fair wear and tear) before leaving the property.
- The tenant provides a 30-day bond to ‘secure the property’.
- The tenant must lease the property for a minimum of 1 year.
- The tenant can vacate the property after 12 months at any time by giving notice in writing.
- The tenant must give a minimum notice of 30 days before vacating the property
- The tenant must pay a 30 day ‘penalty’ fee when vacating the property to help pay for the marketing required to find a new tenant.

“equity lease” rental system

- The tenant must re-instate the property to ‘original’ condition if any damage is accrued to the property.
- The tenant agrees to quarterly inspections by the landlord and will agree to provide the landlord with immediate access to the property within 48 hours notice.
- At the end of the agreement (5-year 1 month lease) period, the property is re-valued by an independent valuer.
- The tenant is paid out their profit share, through the re-finance of the property within 60 days on completion of the 5 year 1 month lease.
- Have your contract prepared by a property specialist solicitor.
- Insure the property with Landlords and Rental Insurance.
- Give the tenant a guarantee they will be paid if the property is sold under a mortgagee sale.



- This opportunity involves the renting out of your property with an option, by the tenant, to purchase the property at the end of the specified term.
- As prices of real estate increase in value out of reach of first home owners, more creative packages will be presented into the community.
- You must create a legal win/win situation.
- The purchase price can be predetermined and agreed upon or a mechanism can be set up so as to determine the price at the expiration of the term ... such as a valuation.
- A 5 year term is not uncommon with this structure.
- The option can be on-sold however the option can't be registered, therefore a caveat able interest in the property should be applied.
- An option fee is obtained each week
- Exercise price = purchase price
- Option term 5 years and 42 days
- Exercise option = full price to be paid
- Exercise Price = agreed price = option fees = get reports = historic growth rates.
- Establish a database of people
- Our aim is to help those that have never been able to save enough as a deposit to buy their own home.
- We are not going to give them the property ... they have to earn it!
- By allocating a portion of the weekly rent towards their deposit ... you help discipline the tenant into saving the deposit required by the banks.

the lease purchase agreement

This deposit saved is equivalent to an option fee

If they decide not to proceed they lose their option fee

If they proceed, the option fee will be credited against the purchase price

Purchase price	\$220,000
Settlement and closing	\$12,000
Renovating costs	\$20,000
Property owes you	\$252,000
New valuation	\$295,000
Traditional weekly rent	\$280-\$300

Current value	\$295,000
Growth rate agreed upon	9%
Value in 5 years	\$454,000
Rent under lease purchase	\$400 p.w.
Indexed for inflation	4%

Loan	\$252,000
Weekly interest payments	\$327
Weekly property costs	\$40
Your total cost per week	\$367
Lease purchase weekly rent	\$400
Positive Weekly Cash Flow	\$33

Where does that money go?

You have a positive cash flow of \$33 per week that you keep ... Forever!

You account for the \$60pw that you allocated towards the deposit when the tenant decides to exercise their option.



the lease purchase agreement

So instead of them giving me \$454,000 at settlement, they only give me the balance being \$438,400

Years	Surplus Cash Flow	Annualised Cash Flow
Year 1	\$33 p.w	\$1,716 p.a
Year 2	\$49 p.w	\$2,548 p.a
Year 3	\$66 p.w	\$3,432 p.a
Year 4	\$88 p.w	\$4,576 p.a
Year 5	\$101 p.w	\$5,252 p.a
Total		\$17,542

What's in it for you	
Initial property cost	\$252,000
Sale price	\$454,000
Gain	\$202,000
Less deposit	\$15,600

That gives you a total gain of \$186,400.

Let's be really generous

Offer your tenant a win – win situation

If “and only if” they exercise their option to purchase the property... match their \$60 per week with \$60 per week at the end... giving them a total deposit, when settlement takes place, of: \$31,200.

Yes you still win... it leaves you with a gain of \$170,800

Who said there had to be a winner and loser?



superior rental dynamics

Create long-term positive gearing through consistent cash-flow

- Rental is more important than wholesale purchasing.
- Rental provides the cash-flow for servicing debt.
- Your tenant is your business partner.
- Put yourself in the tenants shoes for maximum results.
- Give your tenant better inclusions than the local market comparison.
- Send your tenant a Christmas gift e.g. thank you letter and a tin of biscuits.



who are suitable tenants?

There are many people out there that fit the description of a suitable tenant for a Lease Option

Generally they will be.....

1. Younger couples that are just starting out.
2. Have previously owned a home but have suffered financial difficulty.
3. Have never been able to 'get things together'.



How do we find suitable tenants?

Advertise!

Forms of advertising include:

1. Newspapers ... community newspapers are a great source
2. Letter box drops ... be efficient, find blocks of home units
3. Real Estate Agents ... so you have to give them a fee
4. Notice boards at community centres

leasing strategies

- Contact every local agent you have established a relationship with and pay them a BONUS if they rent your property within two weeks. (dinner for two)
- Provide the agent with a full 'rental kit' ... brochure, floor plans, price list for a furnished and unfurnished option.
- Offer them a 10% rental commission if they rent the property for the price you want.
- Know your target market.
- Outside appearance must be clean and tidy
- Doors must be good quality with security grill.
- Rental Managers and Real Estate agents are really debt collectors.
- What you do for a sale you have to do for a rental property.
- Contact Relocation Agencies.
- Contact Corporate Apartment agencies where you can attract 7-10% yields but it has to look good, to achieve the results.
- Make sure your property is on all the rental websites.
- Get the agent to manage the property as they are professionals at management.
- The agent will check the tenants out.
- You can do a bulk mail drop around the area offering a blue chip property for rental at a wholesale price.
- Property must rent today, discounted, exceptional value, given a description.

leasing strategies

- Ask the potential tenant about their references.
- Paint in a feature wall.
- Add a fridge, TV, bed, furniture.
- Help the tenant feel like it is a home.
- Most people have poor furniture because they are not in quality properties.
- Brochures don't sell – people do.
- Place an ad in the paper yourself.
- Furnish the premises and offer the furniture to the tenant if they stay for a minimum of two to 5 years.
- If you stay for 2 years, the electrical appliances are yours!
- “Give away” a television, washing machine, dryer, stereo and fridge if the tenant takes a long lease. (\$3,000 worth of FREE value they wouldn't have had otherwise)
- Receive your rent via Direct Debt only.
- Furniture Package, say \$10,000, is fully tax deductible and will help attract a higher rent.
- Visit auctions for bargain furniture purchasing
- Draw up a furniture rental/purchase contract.



- If you stay for 5 years, the furniture is all yours.
- Before the lease expires ask the tenant if they wish to renew.
- If the answer is no, offer an incentive to stay for another year
- The incentive should be equal to 3 weeks letting fee (approximate cost of vacancy and agent's fees).

instalment purchase

*Now you are the bank...
except that you don't charge fees for doing absolutely nothing!*



In its simplest translation, you are really providing vendor finance, however this is a transaction that involves set instalments for a set period. Because you are taking a higher risk with the clients defaulting, your interest rate for the cost of funds is higher.

It is not unusual for borrowers to pay over 11% in today's market for this type of finance.

It is important for you to be fair in your dealings with everybody. Sometimes you will come across people that will pay or do just about anything to get into their own home.

If you want longevity in this business... do not take advantage of them.

It is recommended that you never set a rate higher than 3% above your cost of funds.

Sale Price	\$170,000
P & I loan payments (6.5%)	\$213 p.w.
Tenants payments (with a 2% Margin 8.5%)	\$305 p.w.
All costs paid by tenants (i.e. rates, insurance and maintenance)	
Positive cash flow	\$92 p.w

instalment purchase

The Strategy

You have a loan that has a certain interest rate

It is a principle and interest loan over 25 years.

You will buy it out for a 30 year term

The lease payments will be equivalent to their loan repayments over that 30 year term.

Their repayments will be worked out using an interest rate that is tied into your 'Benchmark' rate with a margin in your favour.

All property expenses and maintenance costs are the tenants responsibility.

Title only passes when all repayments are made.

Capital gains is assessed at the start ... however payment is delayed until the end ... 30 years time.

First 25 years	
\$92 p.w.	\$1,784 p.a.
25 Years	\$119,600
Next 5 years	
5 years @ \$305 p.w.	\$79,300

Total Gain	
\$79,300 + \$119,600	
\$198,900	

examples of advertisements

Example 1

Sick of paying rent?
Don't have enough for a deposit or have no credit.
Call me ... I can help.
I own property and have a house
ready for you to move straight into and call 'home'.

Example 2

FOR RENT
Live in your own new home TODAY...
At the same time let me help you save your deposit.
I have homes in many areas ready for you.
Let me show you how you can afford to buy your own
home instead of renting forever.

Example 3

Are you still renting?
Bank not on your side ... I am,
you see I know what it is like... then somebody gave me the
opportunity of buying my own home... just like I am giving you
Now I own several properties and can help you
Buy your own, even if you don't have a deposit
or bad credit I can still help...

creative positive cash flow for rental

- Fix your interest rates for a minimum of three years.
- Try to increase your yearly rental income by a minimum of 5% per year.
- The fixed expenses and compounding rental growth will create an increase in cash flow.
- Your rental income must be greater than your interest and expense charges.
- Be careful of large developments where the strata and body corporate fees are large. It is difficult to add this cost on top of the standard rental charge.
- Value add the property by giving furniture packages and appliances, the tenant will pay for extra items and additional rental costs.



INVESTMENT NETWORKING

FOR YOUR
BUSINESS AND YOU



some **work** others **network**

learn how to

drastically advance **your financial future**

through property and personal investment



Australian Property Investors Network (APIN)

www.apin.com.au

What does APIN offer ?

Seminars & Workshops

Why is that most people aren't taught how to be rich or happy? We are trained to do most things in our lives, in order to do them well enough to get by. We are taught how to read and write, how to cook, how to drive. We are taught how to do incredibly complex and challenging tasks like designing and building bridges over wide spaces, how to cure diseases, to fly airplanes, yet when it comes to creating personal wealth and happiness, we're left to find out for ourselves.

There's another, more subtle reason why most people don't achieve wealth and happiness. Deep down they don't believe that there is a choice to be made between being rich and being happy. They believe that somehow you can't have both, which is why in the end they don't get either.

The money that slips through your fingers could make you wealthy if spent more wisely.

Our free seminars and information evenings will provide you with leading edge valuable and up to date information. As a bonus you will be able to meet other like minded people who are either starting out on the road to success or are avid investors sharpening their investment knowledge. As a further advantage we encourage you to meet and freely talk with our alliance

partners. These hand picked people both male and female are leaders in their own right, they are also licensed, qualified and independent.

These evenings are fun and informative plus you will have access to lots of support material in the form of e-books, books and cd's on a wide range of topics. Come and learn the many strategies used by successful investors NO SECRETS just sensible plain English techniques that really work in any market at any time.



Education

It's true what they say "the difference between the rich and poor is what they know and what they do". Property is more than houses and unit investing. Do you know how to buy a property using an option, how about knowing all the ins and outs of being your own "DIY Developer"?

There are many ways to make money in real estate and with the correct tools and strategies you too can play with the best.

TIME x INTENSITY = SUCCESS.

You can't expect to get results in life if you have all the information but fail to apply the principles needed to succeed.

Our programs, e-book, books and home study kits will give you the ability to learn and gather what you need at your own pace in your own time. We encourage you to learn from our expert alliance partners all that you can, so when you are ready to act you will have the education to get into your first investment or do your own JV building renovation makeover.





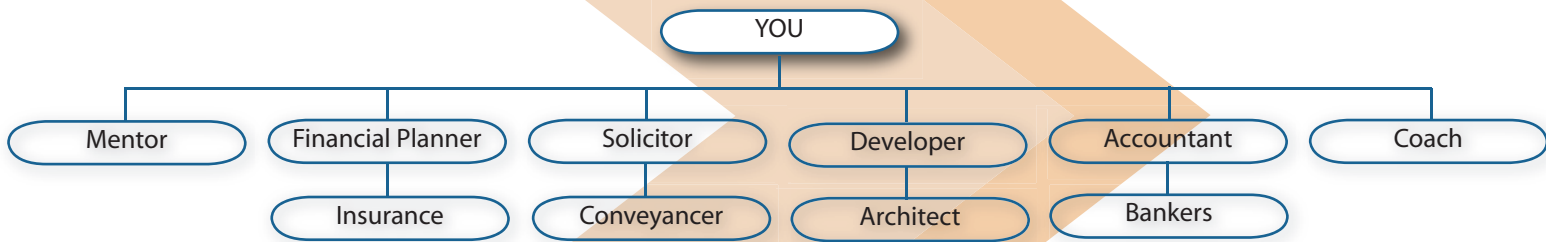
On going Support

Through APIN's Alliance Partners and Discussion Forums you can fortify your ideas and gain strength by exchanging information. Creating alliances generates business opportunities increasing your network and of course - your cashflow.

We have a mentoring service for those that are not quite ready to take those steps without guidance, extra information and some affirmation. Helping you to create a "safe" environment for your first steps.

Who is on your team?

When looking at people who are successful, you will notice they have a hand selected group of people to support and advise throughout the journey to success.



Property Opportunities

Through our Australia wide network we select opportunities that "stack up". We use an independent Research company (Guardian) who are licensed financial planners and real estate agents to use our pre selection due diligence program. From investment properties, development sites, future land subdivisions, building makeovers to even golf course resort projects.

APIN also align ourselves with a select group of builders and developers where we negotiate wholesale purchasing, saving you 10% off the retail price. These opportunities are not available to the public but only members of the APIN site. We can introduce you to the key people who are experts in their fields, saving you thousands of hours of frustration and heartache. Very shortly APIN will also be offering FREE property advertising on our site through resisearch.com who are one of our alliance companies. APIN is fast becoming the most exciting site in Australia.