propertydynamics

Property Dynamics

CONTENTS

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real estate websites

Note: Read newspapers and magazine articles relating to the economy investments and the property market.

Photocopy any article, which is relevant to the property market and paste into your research journal.

Perform research by 'visiting' major Internet property websites:

Suggestions:	*Your additions:*
www.propertypath.com.au	______________________
www.domain.com.au	______________________
www.realestate.com.au	______________________
www.apm.com.au	______________________
www.rpdata.com.au	______________________
www.assetcorp.com.au	______________________
www.gpsnetwork.com.au	______________________
www.rea.com.au	______________________
www.resiwealth.com.au	______________________
www.property.com.au	______________________
www.iproperty.com.au	______________________
www.propertyvalue.com.au	______________________
www.myhousevalue.com.au	______________________
www.valuepro.com.au	______________________
www.smartvendor.com.au	______________________
www.ansearch.com.au	______________________
www.records.com.au	______________________
www.prpaustralia.com.au	______________________

your first home

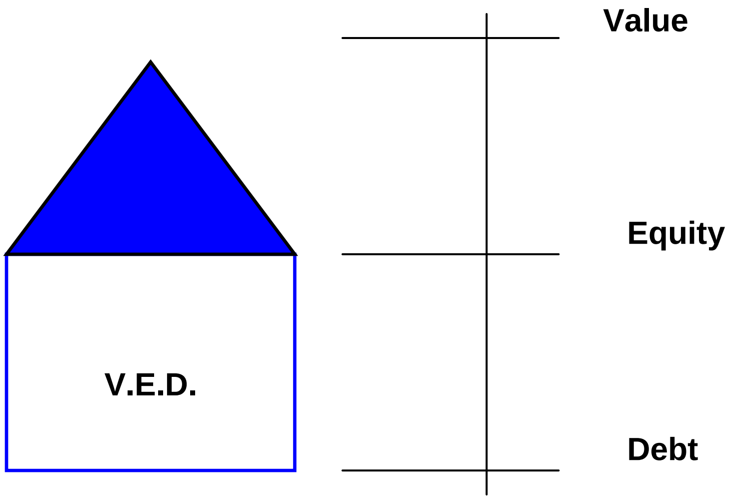
One size does not fit all, make your first decision a good decision, purchasing and owning real estate is a very expensive exercise. If you get stuck with a bad investment it can cost you thousands of dollars - a proper mix of emotional and commercial reasoning is needed when investing in property.

There are many different types of properties, i.e. units, villas, townhouses and houses etc. If you can identify which one is right for you and your needs, you could save thousands of dollars, from making the wrong decision.

One of the secrets of the rich or sophisticated investor is the type of questions they ask and the research they perform. We have designed specific work sheets to help you at every stage - this information will prove to be invaluable for you.

Example questions:

- What are the purchase costs?
- How much is the stamp duty?
- Solicitor's fees and search costs?
- What are the Loan costs?
- What are the Loan repayments?
- P & I or fixed terms?
- What is the term of the loan?
- Are there penalties for early payment?
- What is the agent's commissions?
- Are there any easements on the property?
- Are there any heritage or contributory issues?
- What is the exact size of the property?
- What is the council zoning and are there any restrictions?



Percentage and time

Your $225,000 property after:

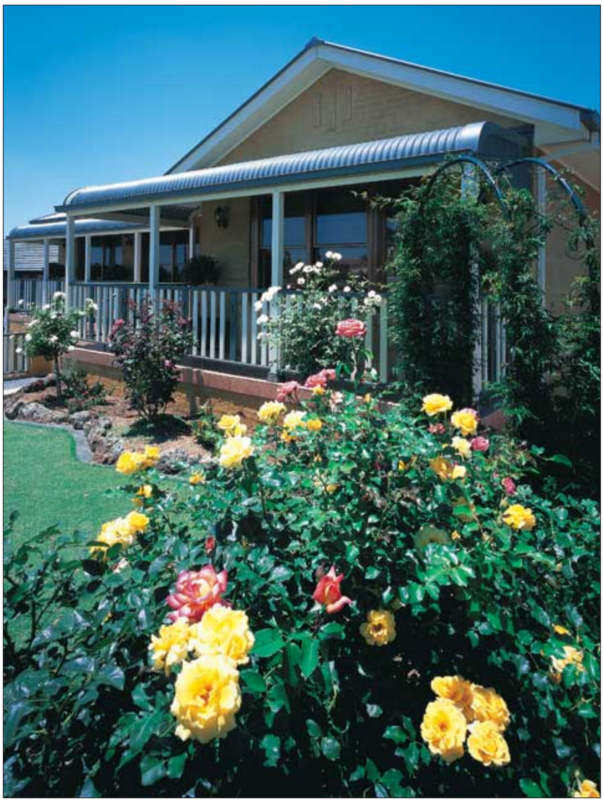
Years	@ 7%	@ 10%	Difference
10yrs	$442,609	$583,592	$140,983
15yrs	$620,782	$939,880	$319,098

Remember:

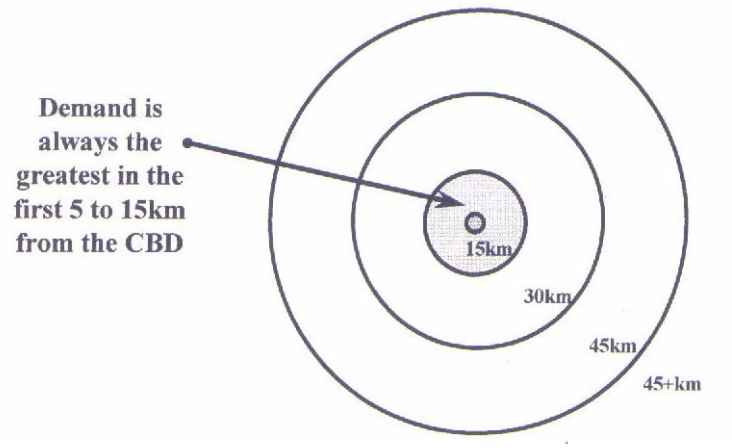
The opportunity of a life-time comes around about once a week.

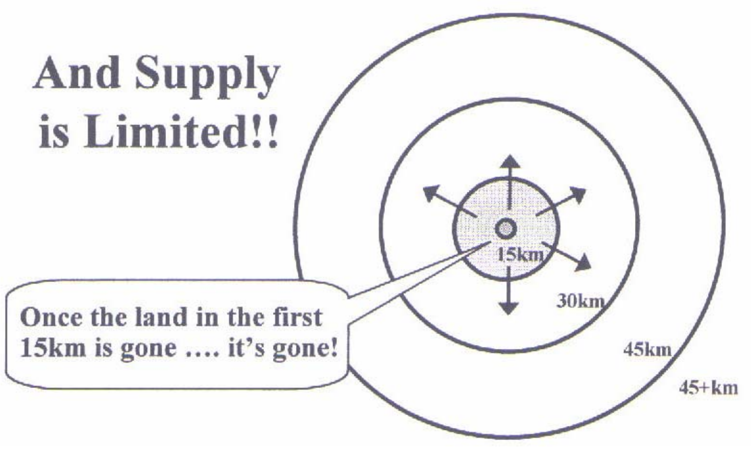
- Overseas and interstate migration
- Birth rates
- Attraction to trendy suburbs
- Vacancy rates
- First home owners
- Location to CBD

The value of real estate rises in proportion to demand, demand will determine how much money you can make from you investment. When purchasing property consider what the on sale potential will be, your ability to foresee opportunities could make all the difference between making average to massive profits.



supply – the wave theory





safety

The money that you invest must be absolutely safe...
Residential investment property held over long term can't go BUST...

Banks lend 90 to 95% on residential property because they know that the values have **NEVER** fallen over the long term. In fact the entire Australian banking system is underpinned by the continual growth of residential property.

Banks lend 90 to 95% to any person on an average wage to purchase residential property wherever it's situated, however banks only lend 30 to 70% on a small number of 'blue chip' shares and borrowers must demonstrate very strong financials.. banks only lend 50 to 60% against commercial property due to inherent vacancy risks. Also banks rarely lend to fund businesses without some kind of property asset security because business lending is extremely risky due to the fact that over a 5 year period 95% of all new business go broke.

The residential property market is valued at around $500 billion, three times the size of the share market, providing a stable and secure market environment.

Residential property investment is a low risk investment because 75% of the market comprises homeowners who underpin property values and 35% are tenants who ensure consistent rental income.

RESIDENTIAL PROPERTY IS AS 'SAFE AS HOUSES'

why property?

Well - quite simply we all live in one, which makes it a very high demand item. It's the great Australian dream 'to own your own home', so why is it that some of us succeed and others fail. Yes, you are correct, knowledge!

You don't need a degree to become a millionaire; in fact it is true that many A grade students end up working for C grade students. We all have countless stories of people we know who have amassed large sums of money from humble beginnings, and yet many of us do little about it for ourselves until it is too late. Just ask twenty 65 year old people what they would do if they were forty again.

The philosophy behind our strategies is based on the "**Four Pillars**" of success for which you can begin to build your personal wealth.

The first pillar is: **The foundation of knowledge**

You see without the right foundation your house will not stand and that is why so many fail. You must build a solid base so you can build a skyscraper, learn the basics, understand the concepts and increase your confidence. Think about our own top 200 wealthiest people and ask yourself where they would be if they did not have the knowledge they have today.

The second pillar is: **Finance strategies**

Learn the principles of how to attract and control money, the truth behind cheap rates and why paying a higher interest rate in some cases can build your personal fortune faster.

Obtaining and putting together a loan structure for your home, investment property or development project.

Using other people's money to raise the deposit, and benefiting from mezzanine finance or seed capital funding.

The third pillar is: **Asset gearing**

"Gearing' or using the equity in your investments to purchase other investments with no money down, benefits from legitimate tax deductions whilst paying as little as 15% in tax using super fund structures and trust structures to minimise tax and protect your assets from third party conflicts.

The fourth pillar is: **The power of compounding**

"The power of compounding" The millionaire's secret. Now your investments are buying more investments and your wealth is growing by itself. Through applying the first three pillars your investments and assets are automatically increasing in value giving you equity power to purchase more income producing assets.

why property?

If you want to be rich then it's time to change.

Wages are not enough:

Individuals who achieve absolute financial freedom learn how to powerfully convert the money they earn by day into **ASSETS** that grow whilst they sleep. The average Australian after paying their day-to-day living expenses, struggles to save enough for their future security. It is true that for many Australians they spend more than they earn.

Eg: Taxes 35% + Living expenses 35% + mortgages and credit cards and car leases etc 35%
= 105%

Regardless of who you are:
It is no secret that many of the richest people in Australia have come from very humble beginnings. The secret of their success is that they do things in a certain way – they learned and applied specific strategies that led to success and not failure – anybody can become wealthy if they follow proven strategies.

Design a life
Many people are caught up in the treadmill of life; it's like going on a bus to nowhere, only to find out that when you arrive the destination is wrong. If you feel you are in a hole, stop digging, maybe its time to change. Generally we all need to stop and look at what we are doing, where we have come from and where we are going. Remember the 5 P's - Proper Planning Prevents Poor Performance.

'Your Team' Pty Ltd
When you look closely at successful people you will discover that they have a 'Team' of people they rely on. How would you like to build a dynamic team of successful people around you? Even better, what if their advice was 'free'. What I have learned, contrary to other opinions, is that positive people help positive people. It's rare you see a wealthy person who is negative and depressed.

'Become a winner'
Making the change is all about a 'decision and taking action' whether you are 16 or 60; your time and self worth will pay off. People change at different ages. When you have decided the time will be right, just decide what you truly want and go for it!

'Self image'

Our entire lives evolve around images - just as every company has a corporate image, every individual also has their own self-image. Psychology has isolated the main cause for success or failure in life. It is the hidden self-image that you have of yourself.

If you could change your self-image what would it look like? As an exercise write out on a piece of paper the person you would like to become, then on another piece of paper write out 5 reasons why you are not achieving what you are currently striving for – next to these 5 reasons write 5 ways you would change each.

Creating change in life is quite simple as long as you can follow a system that can track what you are doing and also what you are not doing. If you had the tools to make the necessary adjustments along the way like your car, you too will be running smoothly and efficiently.

Our work-shop techniques will give you the necessary tools to be a winner. You will be surprised when you see the results that you can achieve.

How can you climb Mount Everest?
Take one step at a time.

the generation purchasers

Different buyers and needs for property markets

A leading Architectural Practice has combined with a Property Research company and an Advertising Agency to identify what types of homes the four key age generations in the property market want to buy in the next five to ten years.

Smart investors and developers … take note of the results!

The research reveals some don't want a kitchen —just a place to unpack and process pre-packaged foods; others have personal security as the major priority; some want gizmos and gadgets, some are comfortable buying from plans or electronic presentations, others refuse to buy anything they can't walk through first and others, primarily younger people, are happy to rent for the rest of their lives.

The four key groups identified were:

First Generation: those born between 1900 and 1924

Matures: born between 1925 and 1945

Baby Boomers: born between 1946 and 1964

Generation X: born between 1965 and 1978

Their input has helped companies formulate a Generation Matrix determining the different residential styles which different generations want and what factors influence them to purchase residential properties.

The research was undertaken by MPS Architects, Matusik Property Insights and Peter Huybers Advertising in an effort to establish which types of homes should be built over the next five to ten years to cater for these markets.

Generation of Purchasers

Teens

Married

Family

Retirees

the generation purchasers

There are two powerful forces in the matrix which according to the trio, are about to explode in the market,

The **Baby Boomers** are about to inherit the assets of the Matures (their parents.)

The **Generation X'ers** already are fast growing consumers of specialist rental properties and are maturing quickly.

They are likely to take their attitudes with them as they mature and could potentially become top buyers rather than renters. Because they are disciplined to take up other traditions or delay marriage, they are likely to present a demand for twice as many houses.

The generation groups which result from the research showed the following:

Generation X

- 70 percent of them rent and are happy to continue doing so.
- They tend to rent investment homes owned by baby boomers.
- They respond to styles, design and locations close to cafes and other meeting places as well as employment.
- They are well educated, less competitive than their parents and have endless patience. They rarely rush into any important decisions such as buying a house.
- Many still live at home.
- They are the 'options' generation and more inclined to rent to keep their options open.
- The buyers in this age group want to be close to work, cafes and meeting places.
- For them home is a dormitory.
- They don't want kitchens, they simply want an area to unpack and process pre-packaged meals.
- They accept computer-generated sales material as a standard form of communication.

Baby boomers

- Generally too independent to live in a medium density development that has a body corporate.
- Happy to buy an investment property managed by a body corporate.
- They need space to accommodate children at home and even more space to get away from their children in the house.
- High proportion of divorcees which doubles the demand for the number of households, but halves their purchasing power.
- Welcome zero-lot homes and sophisticated forms of townhouses on waterfront, golf course or other high profile sites.
- They purchase homes for lifestyle, exclusivity and status.
- They are style and brand conscious.
- They rate residential and personal security very high.
- Gizmos and gadgets are irresistible.
- They need space for their diverse interests and toys, which range from motorcycles to jet skis, home entertainment systems and sports cars.
- They are late savers but enthusiastic investors.
- They want it now.

Matures

- Typically selling to buy smaller homes.
- Increasingly amendable to having someone maintain the property on their behalf.
- The most likely age group to consider moving into an apartment as owner-occupiers.
- Prefer single level living and are moving from the suburbs closer to town.
- Regard personal security as a priority.
- Welcome the opportunity to live in communities with large gates at the front.
- Appreciate luxury fittings and quality and see them as rewards for a lifetime of hard work.
- Want to live downstairs including the master bedroom, but are happy for other bedrooms to be upstairs for younger visitors.
- Need the approval of their peers if they are downsizing.
- Want to see the finished product before they will buy and are very skeptical of any promises from developers and marketing companies.
- First Generation
- Seek comfort, lifestyle, security, companionship and a sense of community as priorities.
- Sensitive to value, on-going costs and paying only for what they need.
- Sensitive to body corporate fees.
- Want to live closer to family and friends.
- Want newer styles of compact residences.
- Want health and convenient services on site.
- Want to live their last years in one place.
- The generation research proves that an apartment which is designed for Generation X is not going to suit the First Generation, and vice versa.

keys to buying a property

- Act like you are a professional investor.
- Tools of the trade, eg business cards.
- Look and act the part.
- Get to know you local agents.
- Select your designated investment area and investment type.
- Proven and established high growth suburbs are preferred.
- Strong rental demands with 5% yields.
- Close to major amenities and transport links.
- Within a 5km radius from CBD, eg city fringe.
- Trendy areas with high disposable incomes close to shopping centres.
- Diversify Your Portfolio, townhouse, unit, studio etc.
- Consider buying in other capital cities other than just your own.
- Varying property cycles affect different types of properties.
- Don't have all your eggs in one basket.




you are about to start your very own property investment business

- Take the same approach as if you were purchasing a business for $1 million.
- Perform market research and carry out market due diligence as though you are about to purchase a business with $1 million of your personal CASH.
- This is an ACTIVE business.
- You must be very active until you reach your retirement goal.
- The only person managing your money is YOU, so be in control.
- Get the best advice, you can.
- Be prepared for what can go wrong.
- What is your personal investment plan.

be prepared for what could go wrong

- Vacancy - The average vacancy rate over the last 15 years for Melbourne is 2.55%, Sydney 2.3%, Brisbane 4.2%
- Rising interest rates - Fix 8O% for 3 years
- Don't pay too much - Buy, hold and never sell... time and patience is the key to long term wealth

Personal investment plan

- Decide how many properties you need to purchase, at what price and in how many years.
- How much money do you need on a weekly basis to 'do all the things you truly love?
- In how many years from now do you want to retire?
- Make a specific plan and work it.

buying by private treaty

- Build a relationship with local agents.
- Organise an inspection when the vendor is home.
- Ignore all the agents excuses.
- The agent always acts in the interest of the seller!

buying at auction

- Do your own homework and arrive early. Set your upper limit and don't tell a soul.
- Be the final bidder if the reserve is not reached.
- Avoid bidding until the property is 'on the market'.
- Go for a 'Knock-out' early on or take control at the end.

the fair market value

- The highest price a buyer, willing but not compelled to buy, would pay and the lowest price a seller, willing but not compelled to sell, would accept.

market sales analysis

- Look at the price for which other similar properties have sold in the same area.
- Compare — size, age, construction, number of bedrooms, bathrooms and features.

cost approach

- Estimate the cost of building the same or similar structure.
- Add the cost of land.
- Subtract any wear and tear (real depreciation).

net income approach

- Property value is a function of the net operating income.
- Calculate the gross rental and subtract all associated costs (agents fees).
- Divide by your 'reasonable rate of return'.

determining the value of the property

When a valuer is hired to determine the value of property, the value will not be appraised as at a certain date. The price at which the valuer arrives is not cast in stone; it's merely the valuer's personal judgment of the value of that property.

Despite the fact that properties always have a 'market value' range, usually plus or minus 2 ¼%, a valuer will often determine one single estimate of value.

Because so many variables are involved, valuers generally try to determine the value using several different ways. While you will not use a professional valuer in the purchase of every single property, you need to become familiar with the three methods most commonly used. You can actually learn to use these three methods yourself without any formal training.

Market sales analysis

One way to determine the value of property is to look at the price which similar properties in the same or similar neighbourhoods recently have sold for.

The asking price or listing price (if the property is being offered by an agent) of properties currently for sale is of little use in determining value. This is only someone's estimate of value or, for that matter, a 'lets offer it at this price and see what happens' approach.

While valuers are quite scientific in the way they compare properties that have recently sold, you can do a reasonably accurate job yourself. Find one in the same neighbourhood that is similar to the one you are considering so you can compare 'apples to apples'.

You should know the approximate land size and building size of each property, the age, construction (cement block, brick or wood frame, etc.), number of bedrooms, bathrooms and any extra amenities the property has, such as a two car garage, veranda and central air-conditioning.

In the case of larger properties such as apartment buildings and office buildings that produce rental income, you should:

a. Compare the selling price per apartment unit by dividing the selling price by the number of apartments.

b. Compare the selling price per total square metre by dividing the selling price by the square metres.

c. Compare the Gross Income Multiplier, which is the selling price of the property divided by the income it generates each year. (If a property generates $80,000 per year in rental income and sells for $650,000, the G.LM. is approximately 8 ... $650,000 divided by $80,000 equals 8.125)

Most of this information can be obtained from real estate agents. To research it yourself, public records located in the Land Titles Office, also have information about the selling price, square meters, and layout of the house (number of bedrooms, baths, etc.)

Cost analysis

The cost analysis looks at the current cost of building the same or very similar structure. The cost of land is added into the figure. Then, any wear and tear the property may show is subtracted to arrive at the value. The last element of this process is very subjective and could distort the true value of the property.

Costs of construction are estimated on a per-square meter basis. Usually no attempt is made to estimate the actual cost of the construction materials. Several technical sources are generally accurate in estimating the per-square metre cost of a building.

As a new investor, you would be best advised to contact several builders in your area and just ask the question, "What are the building costs for a 170 square meter, three bedroom, two bathroom home exclusive of land, driveway and landscaping?"

The value of the land would be determined by doing a market sales analysis and learning the price for which other comparable lots are selling. Driveway and landscaping costs could. Then be determined by contacting firms that specialise in these areas.

After doing this for several properties, you will soon have a very good perspective on building costs in your area. You can then make some comparisons with the information you collect using the market sales analysis approach.

This is the least reliable way of determining value, especially for older properties, however is practical when assessing a brand new property.

determining the value of the property

Net income approach

The third method for determining value, called the net income approach, is primarily used for evaluating larger (three units and up) income properties. It does not work as well with houses and smaller apartment units because too many emotional factors affecting price are present in the market place.

In simple terms, this approach says that the value of a property is a function of the net operating income (or net income) it produces. The net operating income is the money that you would be able to spend if you owned the property free and clear of any mortgage debt. If rent increases or expenses decrease, the net income goes up and so does the value of the property. If it does not generate enough net income to pay the mortgage payments and generate some extra spendable cash, you will not buy it.

This approach for finding a property's value can have powerful implications, especially if you are able to purchase it based on Market Sales Analysis value (the amount for which comparable properties have sold) and sell it for if the net income value (the property's value in relationship to the amount of net income it generates before any mortgage payments.)

Once you've worked out the net rental, that is the gross rental less the agents fees if you have one, then divide that number by your reasonable rate of return. We often use, in today's market, 6%.

For example, a particular property may have a net rental income of $9,000. Dividing this amount by 0.06 you determine that its value is $150,000. The seller does not know anything about the net income approach to value but he or she sure does know that the property is worth $175,000.

If then net rental income was to increase to $12,000.00 per annum and you applied the same formula ie: divide $12,000.00 by 0.06 = $200,000.00 you could argue that a realistic selling price based on 6% return was now $200,000.00, an increase of $50,000.00.

In an example like this, you would probably be best advised not to tell a seller how you arrived at the price you're offering. Just say, "I've done some figures and this appears to be the best offer I can make at the moment." By wording your response in this open-ended way, you are leaving room for a larger counter-offer at a later date if you choose to make one.

determining the value of the property

As you can see, there is no way to make an exact valuation. The only thing you can be assured of is that if you buy in an area with solid growth potential, there will continue to be increases in property value. Your negotiating techniques will assist you and ensure that you achieve the best price possible.

For smaller properties, such as a single-family home, the market sales approach to determining value is considered the most reliable method available.

If we have a good property in a growth area that we are willing to buy, our aim should very simply be to try to get that property at the best price possible. The worst mistake an astute real estate investor can make is to leave more money on the table ... remember you make your money in real estate when you buy.

making and submitting your offer

Keys

- Submit offers in writing accompanied with a cheque.
- Always wait for a counter offer.
- Multiple offer concept.

Professional players in the property industry put pen to paper when negotiating and include a small cheque as a sign of their seriousness to proceed. Including a cheque gives added leverage in the transaction process, when a counter offer comes back ask for the return of the cheque before making a new offer.

When the counter offer comes in, wait 48 hours before you respond, this period will make the other side more nervous that they could loose the deal unless they negotiate correctly.

Your final strategy in this scenario is to make multiple offers on the same property but with different deals or scenarios. These may include vendor finance, long term settlements, larger deposits etc…..

making and submitting your offer

(Your Name}
c/{Your Company)
(Your Address)
(Phone)
(Facsimile)

(Date)

(Real Estate Agent)
(Address)

(Facsimile)

Dear (Agent),

Property Address

Thank you for taking the time to show me the above property.

As I mentioned to you, I'm always interested in purchasing properties that will offer me a reasonable return on my Investment and the property you showed me seems to meet many of my investment requirements. As such, I hereby submit my offer to purchase the above property, along with reasonable consideration of $750 made payable to (Real Estate Agent).

Purchase Price:	$255,750
Deposit:	$750 enclosed
Balance of Deposit:	$24,825 within 7 days from exchange of contract.
Balance:	$230,175 upon settlement at a time suitable to the vendor
Leasing:	(Real Estate Agent) to be managing agents

I have submitted offers on two other properties in the area and will be making a decision to purchase one within the next 24 hours. As such, this offer is valid for the next 24 hours only.

I look forward to your favourable response so that the Contract of Sale may be signed and exchanged as soon as possible and settlement arranged at a mutually agreeable time.

Yours faithfully,

(Your Name)
(Your Company)
encl.

(Your Name)
c/{Your Company)
(Your Address)
(Phone)
{Date}

Real Estate Agent}
{Address}

{Facsimile}

Dear {Agent},

Property Address

Thank you for taking the time to show me the above property.

As I mentioned to you, I'm always interested in purchasing properties that will offer me a reasonable return on my investment and the property you showed me seems to meet many of my investment requirements. At times, I am happy to pay more than the owners asking price if they are little flexible on the terms of payment.

As such, I would be willing to purchase the above property under either one of the following three scenarios:

1. $207,750 as the full sale price due and payable upon settlement and ready to exchange immediately. Upon exchange, I will provide consideration of $2,000 that is to be held in trust and put towards the purchase price at time of settlement.

2. $235,500 as the full sale price with $175,500 payable upon settlement and the balance of $60,000 payable in exactly 12 months from the date of settlement. Upon exchange, I will provide consideration of $2,000 that is to be held in trust and put towards the purchase price at time of settlement.

I have recently purchased two other properties in the area in exactly the same way and it has worked well for both vendor and myself.

3. $245,995 as the full sale price with $125,000 payable upon settlement and the balance of$120,995 payable in 3 equal payments of $40,331.00 on each of the anniversary dates of settlement for a 3-year period (being exactly 12 and 24 months from the date of settlement)

Once again, upon exchange, I will provide consideration of $2,000 that is to be held in trust and put towards the purchase price at time of settlement.

I have submitted offers on two other properties in the area and will be making a decision to purchase one within the next 24 hours. As such, this offer is valid for the next 24 hours only.

I look forward to your favourable response so that the Contract of Sale may be signed and exchanged as soon as possible and settlement arrange at a mutually agreeable time.

Yours faithfully,
(Your Name)
(Company)

the checklist (investment)

- Select the right property for the right area, house, unit etc.
- Select properties, which offer high depreciation and tax benefits.
- Engage a Quantity Surveyor to provide full depreciation schedule.
- Minimise the cost of the investment and build equity, by adding value.
- Select properties which are in small style developments (less than 30 units). Apartments in large high-rise developments can perform poorly unless they are unique: top floor, penthouse style etc...
- There are always exceptions to the rule.
- Re-value the property after you have improved it.

the checklist (purchasing)

- The Contract of Sale must be checked by a solicitor on conveyancer.

  a. Caveats (report from land titles office)

  b. Easements (report from local council)

  c. Development restrictions

  d. Body corporate issues, strata management report.

- What easements are running along the edge of the property. If it runs in the middle of property, then there may be problems doing renovations and therefore restricting future potential for development
- "Envelope" restrictions, i.e. second story etc...
- All extras add to body corporate fees, i.e. gym, pool, etc... So ensure a thorough search is done including a fire department report.
- Minimise the cost of the investment and build equity.
- Insert Clause in "Contract of Sale" that the offer made is subject to solicitor's approval within 72 hours and valuation approval.
- Get an R.P data report of all properties sold in the last 12 months in the area and street you are buying in.
- Negotiate with your chequebook in hand
- Do not haggle — explain your offer is based on market research

the checklist (purchasing)

- Be prepared to walk away.
- Come back in two days and tell the agent to present the offer to the vendor again.
- You can negotiate on second meeting — first time give your price and walk away if they don't want your price.
- Obtain a certificate of land size, from the lands title office: do not rely on survey in contract, get an independent report; do not trust the sales agent or your solicitor.
- Obtain records from local council on the property you are purchasing.
- Go to council yourself and look at the file relating to the property and see if there are restrictions on the site.
- Banks will only lend against contract price if settlement is more than 6 months.
- Re-value the property- after you have improved it.
- Advise the bank of the new valuation price.
- Constantly be in touch with the valuer — build a good relationship with them.

additional purchasing keys

- Establish 5 areas you want to invest in.
- Target areas and suburbs with the fastest capital growth.
- Areas should have a 'lifestyle centre' with cafes, bars, restaurants, sports centres, schools, Universities and parkland.
- Go to local council and find what is proposed to be built in the future.
- Select properties in areas within 15km of the CBD, but not in the CBD fridge areas.
- Before you buy research what is happing around you ie: new buildings etc.
- The best areas are the ones which have heritage and height control restrictions, limiting land that is suitable for development.
- Target suburbs where brand new properties (especially apartments) show a minimum of 4% rental income. Some of the more expensive (established) suburbs currently show a 2% or less rental dividend due to the high price of brand new property.
- Target streets and suburbs with many established houses. The highest prices are usually achieved in streets and suburbs, which contain less 'high-rise' apartments.
- Select properties which are in high demand from corporate tenants.
- Corporate tenants pay more money, and are often a secure tenant.
- Call relocation agencies (check the Yellow pages and internet).
- What features do renters and purchasers want, garaging, storage, lifestyle?
- Select projects which have strong owner-occupier appeal.
- Purchase properties within projects, which have at least a 50% owner occupier component.

deposit bonds

Can be used as a substitute for a cash deposit. Helps you to keep your existing investments intact. The bond provides a guarantee to the vendor of your ability and intention to purchase the property.

Available for both residential and commercial property calculation methods:

a. Must have five times the amount of the bond in net assets.

b. Must be able to prove you can settle the loan.

c. Enclosed example "United".

A Deposit Bond is an instrument that replaces the need for cash deposit. The Deposit Bond is issued by United to the vendor for all or part of the deposit required.

Why should a purchaser use a deposit bond?

A Deposit Bond is an easy way of arranging the deposit for the purchase of a residential property. Arranging a cash deposit may take time, especially if the purchaser has not sold their current property or needs to sell investments to raise the required deposit. Deposit Bonds enable purchasers, whether they be investors or otherwise, to avail themselves of opportunities as and when they arise.

Who can use a deposit bond?

The product is suitable for virtually anyone contemplating the purchase of a residential property including:

a. First home buyers

b. Home owners upgrading to a new property

c. Investors wishing to purchase property or additional properties

d. People buying property "at auction"

e. People buying property "off the plan"

Will vendors accept deposit bonds?

There should be no reason why a vendor should or should not accept a Deposit Bond in lieu of a cash deposit. Deposit Bonds have been used in Australia for over ten years. Today more than 25,000 properties are sold each year using Deposit Bonds.

Does a purchaser still have to pay the deposit amount at settlement?

Yes. Each purchaser is still required to settle the full purchase price of the property, including the deposit, when the transaction is settled. The Deposit Bond does not remove a purchaser's obligation to pay the deposit amount to the vendor at settlement.

What is the counter indemnity agreement?

A Counter Indemnity agreement is the legally binding agreement where one party gives another party fly the right to obtain compensation for any loss, damage or expense the other party incurs. In the case of a Deposit Bond, by signing the Counter indemnity Agreement, the purchaser(s) promises to compensate the insurer for any loss that the Insurer may incur as a consequence of the purchaser defaulting under the Contract Of Sale and the insurer having to pay an amount to the vendor or the deposit holder.

What happens if a purchaser defaults and fails to settle the contact for sale?

Where the purchaser has used a Deposit Bond, the vendor has the right to present the Deposit Bond to the Insurer and claim the full amount of the Deposit Bond. The Insurer will then seek reimbursement from the purchaser (the party that failed to complete the transaction) under the terms of the Counter indemnity Agreement, for any monies paid by it plus any other costs and expenses.

When does the deposit bond terminate?

The Deposit Bond expires on the earliest of:

a. The Expiry Date on the Deposit Bond.

b. The Contract for Sale being complete.

c. The Contract for Sale being terminated or rescinded and the purchaser being entitled to a refund of the deposit.

d. Payment by the Vendor by the Insurer of the maximum Bond amount or such part as the Vendor may require.

Payment by the Vendor by the Purchaser of the maximum Bond amount or such part the vendor may require

What happens if a dispute occurs with the vendor?

The terms of the Deposit Bond require the Insurer to pay up to the face value of the Deposit Bond to the deposit holder or the vendor upon request. If the deposit holder or the vendor makes such a request, the Insurer will not seek to verify whether a default has in fact occurred, or whether the vendor is in fact entitled to receive the deposit amount. The Insurer is obliged to simply pay the deposit amount in accordance with the request. The purchaser will then be obliged a reimburse the Insurer for the amount of the payment it has made, plus the Insurer's costs and expenses, even if the purchaser believes that the vendor was not in fact, entitled to receive the deposit.

This does not prelude the purchaser from legal action to recover the deposit from the vendor. This however does is separate issue affect the Insurer's right to recover from the Purchaser the amount paid to the vendor under the Deposit Bond plus any other costs or expenses in accordance with the terms of the Counter Indemnity Agreement.

What is the refund policy?

Refunds will only be made if the Deposit is returned unused within 30 days of issue or if there is a statutory right to a refund. United Deposit Bonds reserve the right to charge an administration fee.

For what terms are deposit bonds issued?

United Deposit Bonds are issued from 3 months up to 43 months.

What happens if I need to extend the deposit term or expiry date?

A Deposit Bond may need to be extended for a variety of reasons. United Deposit Bonds can only be extended:

a. Within 30 days of the Deposit Bond being issued: or

b. Within 60 days prior to the Expiry Date

Reasons for extensions outside of these times will require the original Deposit Bond to be cancelled (for which no refund will be granted) and a new Deposit Bond issued for which a fee will be the charged.

Extensions are not automatic. If the Deposit Bond can't be extended the purchaser may have to replace the Deposit Bond with a cash deposit when the Deposit Bond expires otherwise the vender or deposit holder may make a claim under the Deposit Bond.

If the claim is made under the Deposit Bond, the Insurer will then seek reimbursement from the purchaser, under the terms of the Counter Indemnity Agreement, for any monies paid it plus any other costs and expenses.

Who is the insurer underwriting the deposit bonds?

The Insurer underwriting the Deposit Bonds is Employers Reinsurance Company Corporation ("ERC") ABN 48 072 715. ERC is a subsidiary of GE Capital, and a member company of the General Electric Group. ERC is rated AAA by Standard & Poor's, which is the highest credit rating that can be given to an insurance company.

Dear Purchaser

Thank you for applying to United Deposit Bonds.

Deposit Bonds are a great way to secure your future property purchase NOW with a minimal outlay and minimum of fuss.

Now that you have chosen your property you need to exchange your contract as soon as possible. In order to secure your purchase as quickly as possible, please complete the attached forms and forward them to us together with the supporting documentation detailed below.

Once you return the form and the information to use we will process and pre-approve your application within 48hrs for FREE.

When we advise you of your bond approval we will let you know of any other information we require payment to issue the deposit bond.

I look forward to talking with you soon. Until then, all the best.

Kind Regards

(Full Name)
(Company Name)
Company Phone No.)
Company Fax No.)

Documentation Required

1. A copy of the applicants drivers licence and passport. If one of these is not available then we require a Medicare card and a credit card.

2. Copy of your last 2 years tax returns or group certificates. In the event of trusts or companies we require the same for the company or trustee.

3. If your assets and liabilities statement disclosed:

a. cash or shares – we require a copy of the last statement
b. property – we require a copy of a rate notice. If the properties have mortgages we require a current loan statement. If any property is rented we require a copy of the lease or agents rental statement.

4. If you are employed we require a letter from your employer confirming the length of employment and gross annual salary or 2 recent pay slips.

5. Copy of the front page of the Contract for the property to be purchased

If you have a loan approval with an institution please provide the supporting documentation, otherwise we can provide an In Principle Loan approval through our Home Loans division.

purchase property at wholesale prices

Check List

- Wholesale means property purchased below market-price must be at least 5% below.
- Obtain a Residential Report from a respectable research agency.
- Negotiate with the agent/developer/builder as a Professional Property investor
- Discuss the state of the market — display your expertise, show proof.
- Show the agent a bank valuation.
- Obtain proof of other sales within the area.
- If you want to buy well then you must look the part. Look as if you can afford to buy (wear good suit and tie).
- You need a business card with mobile on it — and phone and fax.
- "I am a professional property investor and I'm looking to buy 3 to 4 properties in the area in the next 6 months — I have been looking at properties for a while now. This is the property I want".
- "I am here to buy, and I want to negotiate the best price".
- Only approach properties which have been on the market for at least two months or more if you want to get a good deal.

properties 15km to 20km outside the CBD

Key Points

- Advantage of outer area properties.
- Easier availability of lower priced properties and more to choose from.
- It is much easier to obtain a smaller dollar amount deposit bond or bank guarantee.
- It should be much easier to negotiate discounts with outer area builder and developers. They are usually prepared to work for less margin per property.
- Properties outside 15km turnover faster.
- You have a larger purchasing audience.
- It is much easier to obtain the required funds if any is required.
- You have the opportunity to make more profits by bulk buying house/land packages.
- When purchasing outer area properties from builder-developers, you may be able to obtain a further 6 to 12 months 'extra' settlement time, after the property has already been built.
- Some builders assist purchasers by providing vendor finance for up to 12 months, as long as you can pay them RENT for the property in the meantime.
- What is vendor finance and how does it help you?
- Longer settlement terms from the vendor may assist you in obtaining 100% finance for the property.
- Only purchase properties in outer areas with an established infrastructure.
- Areas where people under 40 years of age want to live are preferable, with established infrastructure such as cafes, bars, restaurants, sports centres, kindergartens, schools, universities, and parkland.
- Close proximity to major shopping centres is a must as well as public transport.
- Always buy in the top four best streets of a suburb.
- Proximity to lakes, rivers, ocean and golf courses is an advantage.
- Choose suburbs which contain brand new subdivisions and examples of opulent brand new housing of $500,000+
- Purchase properties in beautiful looking subdivisions, preferable less than 5 years old.

properties 15km to 20km outside the CBD

- Target suburbs where brand new properties show a minimum of 6% rental return.
- Ensure that the suburb you choose has shown a minimum compound rental growth of 5% over the past 3 years.
- Ensure the suburb or area has a rental vacancy rate under 3%.
- You must visit every single real estate agent in the area to establish the TRUE vacancy rate.
- Avoid apartments in outer areas.
- Demand for apartments located more than 15kms from the CBD, is less.
- You should only purchase separate title houses on land size blocks of not less than 450sq metres.
- Select properties, designed by "brand name" architects and builders.
- People prefer to live in good-looking, exquisite buildings.
- Owner-occupiers may be attracted by the "name" of the builder. They believe the product is trendy.
- The project is more likely to attract a "better class" of customer because of the appeal associated with the brand name.
- Select architects and builders who have won awards.
- Select properties which meet the tenant's requirements
- Large bedrooms
- Security features – intercom, alarm, security gates are in advantage.
- High quality internal finishes – granite, polished floorboards, designer bathrooms, double shower, spa bath.
- Architectural and beautiful design with good a colour scheme and street appeal.
- Select properties in streets and suburbs where there is less risk of large future development impact.
- Perform due diligence in regards to current and future town planning applications surrounding the proposed property. The wrong development in close proximity to your property, can adversely affect your rental and capital gain potential.

properties 15km to 20km outside the CBD

- Select properties which offer high depreciation and taxation benefits.
- Ask the developer for the depreciation schedule.
- Engage a quantity surveyor to perform a MAXIMISED depreciation analysis on the property.
- Higher depreciation usually improves cash flow position.
- Avoid projects where the rental income is based on short-term or holiday rentals.
- Avoid off-the-plan projects, which may not satisfy pre-sale requirements.
- The risk of non-completion or changes to the property can be high.
- Obtain a Guarantee from the developer in writing and subject to, in the contract of sale.
- Add in clauses to the conditions of the contract to protect yourself.
- Settlement to occur after satisfaction by the purchaser as set out in the contract.
- Builder can take 6 months to fix defects.
- Avoid projects, which have sold 30%, or more, of their units, within the first 3 weeks of marketing. Professional investors do not make instant, emotional decisions.
- Test the agent via your 'intention to flip' the property. (and or nominee)
- Select property which has been on the market for at least 2 months.
- The vendor and the real estate agent, are usually more motivated, if the property hasn't sold after 2 months of marketing.
- Never offer to purchase a property prior to auction. Buy only after the auction has FAILED and the property has been passed-in, unless you really want it and feel the market is about to change.
- The agent is more motivated and therefore more important to you than the vendor.
- The agent wants to move onto their next property and save face.
- The agent does not get paid more for the extra time they could spend selling other properties.
- The agent may do better if they sell the property for 5% or 10% less than the vendors asking price and move on.

properties 15km to 20km outside the CBD

- The vendor could become a more desperate (motivated) seller, if the property has not sold for 3 months or more.
- Marketing costs are rising.
- Interest costs are accumulating.
- Construction costs are rising.
- Other costs are being incurred—such as rates, property taxes and solicitors fees. (plus other reasons)
- The longer it takes to sell the property, the greater the risk of it not selling.
- There is also a risk of "losing' the marketing agent… agent stops being MOTIVATED.
- Once you have chosen the specific properties which fit your investment criteria, establish a preference list of your top 5, with your favorite as number 1.
- Your properties should be in different suburbs and can be a combination of properties brand new and established.
- Obtain a bank valuation and opinions from local agents.
- Provides a second opinion and a market appraisal tool for your negotiations.
- Ring you current financier to find out their list of residential valuers.
- Ring all the valuers on the list and ask them to provide you with a list of financiers who use them.
- Use valuers who work for multiple financiers and bankers.
- Use valuers who work in multiple areas, otherwise you will need to use different valuers.

research technique points

- Choose 4 suburbs you feel comfortable with.
- Look at suburbs next to well performing suburbs.
- Become an expert in that area or areas you choose.
- Research R.P data (www.rpdata.com.au)
- Obtain government reports from your local council.
- Visit every agent in your chosen area.
- Establish a 'Close" relationship with the agents you like best.
- Tell the agent what outcomes you want from the relationship eg: I'm looking to purchase 6 properties in the area in the next ……..
- Ask for the names of the 'four' best streets in each suburb.
- Visit every property for sale in your chosen area.
- Visit every established property sold in your chosen area.
- Visit a minimum of 10 auctions and record the results.
- Find out everything you can about the area, schools, buses, council approvals etc…
- Read all newspapers and publications relating to the area
- Inner City Areas (Within 10 KMS of CBD) perform the best.
- Target areas and suburbs with the fastest capital growth over the last 4 years, then look at the properties next door to them.

research technique points

- Each area should have a 'lifestyle centre' with cafes, bars, restaurants, sports centres, private schools, universities and parkland and public transport.

- The best areas are the ones which have council heritage and height control restrictions thus creating an artificial 'land and property' shortage.

- Choose streets and suburbs close to established 'Blue Chip' suburbs. These areas have dramatic rise in capital growth when their blue- chip neighbour becomes unaffordable in terms of equity, debt capacity and rental capacity.

- Obtain a certificate of land size, from the lands title office: do not rely on survey in contract, get an independent report, do not trust the sales agent.

- Solicitor to check contract sale
  Caveats, report from the land titles office
  Easements, report from local council
  Development restrictions
  Body corporate issues etc…

- What easements are running along the edge of the property. If it runs in middle of the property, then there may be problems doing renovations and therefore restricting future potential for development

- "Envelope" restrictions, i.e. second story etc…

R.O.I.

(Return on Investment)

- You must achieve the highest possible returns on the money you invest
- The key is to leverage your money.
- Look to invest in a variety of areas.
- Leverage and buy $1 million of property – even if the property increases by 5% then you have $50k potential income or equity.
- You need to measure the return on your money, not on your asset.
- Using leverage provides greater returns on the money you invest … so the return on your money (equity) on the asset is the crucial calculation when assessing investment performance.
- Remember your long term goal (65) is to remove the pressure from the government to support you in retirement.
- We must become self sufficient if we are to achieve financial freedom.

property photographs

Front of property

Rear of property

Neighbouring property

property photographs

Streetscape

Kitchen

Bathroom

property photographs

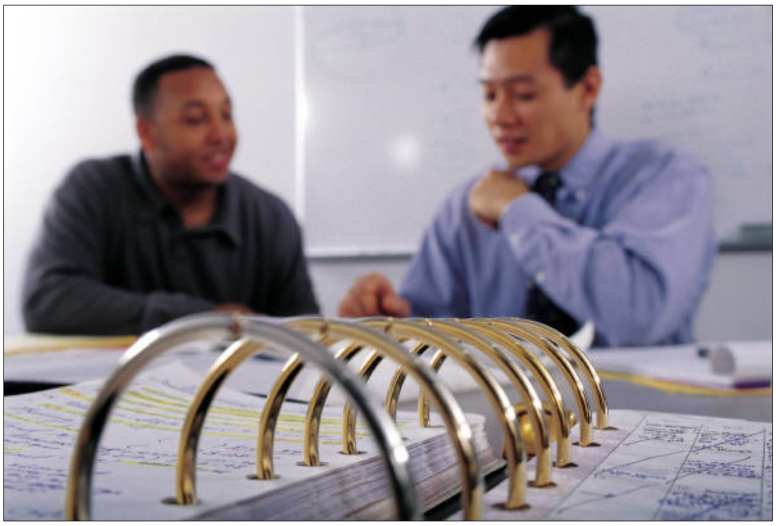
Living Area

Main bedroom

Unique features

You must record the following minimum information in your journal.

- Photograph of the outside of property including the property on either side.
- Photograph the properties to the rear of the property.
- Photograph of anything which could detract or add to the value of your property.
- Photographs of each room in the property.
- Individual photographs of all the fixtures and fittings inside the property (door handles etc shower, taps, carpet, bench tops, etc...), and all the 'open space' areas.
- The size or the property, the open space areas and precise measurements of each room have a sketch of the property.
- Any added features the property might have.., air conditioning, alarm, marble, recycled timber boards, etc...



- Requires significantly less money.
- Requires less physical effort.
- Generates a far greater return.
- Find out before you negotiate the option what the council requirements and restrictions are so you can then negotiate the option period 6-12 months.
- Background knowledge
- Current and proposed zoning
- Council codes and town plan
- Market conditions
- Take 3 architects out to lunch
- Site assessment
- The "would I buy here' test
- Architects professional opinion
- Quick calculations

- Make money offer $ ___________
- 1% option fee term 6mth/ 12mth
- Delayed settlement terms
- Create a concept
- Engage an architect
- Consult a surveyor, engineer and landscape designer
- Prepare conceptual plans
- Pre-lodgement meeting with council
- Prepare final design plans
- Lodge your application
- Complete a development approval application
- Initial council response with 42 days
- Liaise and negotiate
- Local council meeting
- D.A. approval letter

An option is nothing more than a legal right given by a seller to a buyer to purchase a property at a predetermined price.

You must obtain consent in writing from the owner so you can approach the council and other professionals in relation to the property in question.

property strategies (option)

Example

Option purchase price	$300,000.00
1% option fee	$3,000.00
Architect design plans	$3,500.00
Professional fees	$1,000.00
Council fees	$500
Total costs	$8,000.00

The option strategy is used when there is an opportunity to change the concept of the property you are purchasing. An example may be where you want to convert a residential property into a multiple townhouse site.

If you obtain an option this will allow you the time to pre plan and approve the site with the local council and resale for development and construction.

property purchasing points

- Town homes should be 3 bedrooms, 130-150 sq. m. with an ensuite and a separate bathroom/shower area. They must have a 1-2 car garage or an extra 'open' car space.

- Town Houses are the most popular and in demand properties favoured by the under 40 year age population.

- Town homes also offer the best value of all inner city properties due to their lower 'domestic' construction costs. It could cost three times more money to build the same 'space and quality' apartment as it does a town home.

- Should I engage a property professional to assist
  Property advocates
  Valuers
  Real Estate Agents

- Only work with those who are very successful.

- A valuer is a consultant who can work for you. Particularly if they are a bank valuer, they may even help source property for you.

- Pay what it takes – they must make you money. Be clear on what you want.

- Don't be pressured to buy, there are always more deals around the corner.

- Buying off plan – you don't need to settle if things are not up to scratch, but you must detail this in the conditions of the contract otherwise don't proceed.

- Add into contract – builder/developer not allowed to change item without consent in writing to purchaser's solicitor.

- The builder knows how to value add, discuss and clarify opportunities.

- If you get an independent report and it goes into dispute then they cannot touch your deposit or force you to settle.

property purchasing points

- Insert Clause in contract that the Sale Offer is made subject to solicitor's approval within 72 hours and valuation
- Negotiate with your cheque book in hand especially in a falling market.
- Do not haggle, explain your offer is based on market research, so be firm.
- Be prepared to walk away. Property purchasing requires an outlay of a serious amount of money.

- Selling should be a last alternative as you are giving away future cash flow.
- The best market for trading is a declining or flat market.
- If you are trading in your personal name obtain tax advice.
- Be totally aware of all costs-legal, stamp duty, financing, capital gains etc.
- Identify what market you are trading in-land, units, houses, commercial etc.
- Model your strategy on other people who are professional in this area.
- Owner-occupiers usually pay more than investors; investors are looking for a bargain, occupiers are looking for a home.
- Obtain a bank valuation and acquire plenty of research material.
- Assist the purchaser with financing, either with a second mortgage or broker relationship.
- Types of trades - simultaneous settlement, renovators, developers.
- Add more value, re-design, Back Yard Blitz strategy and cosmetic renovations.
- You must have cash flow, equity or obtain a 12-month settlement term to relieve any financial stress.
- Build good relationships with local agents and seek their advice at all times.
- Build a buyers database and attend all auctions and sales in the area to keep up to date values. Get to know what people want in the area that you are dealing in.

- What time frame are you working to? You must be able to go over time if market conditions and economics change.
- Pay the agent top rates to get the best results and higher loyalty.
- Make a sale, make a profit, move on and learn. Don't get greedy, it's not a get rich quick strategy.
- Constantly keep updated with the market you are in. One week is a long time in Real Estate.
- Construct your own sales kit and keep it with you at all times. A display folder is an excellent and inexpensive tool.
- Proof read the ads in the newspaper personally and try to make yours stand out in the same way; eg. No deposit required, easy vendor terms, owner willing to do a deal.
- Prepare a list of positive points about the property, architect designed, alarm system, granite kitchen etc.
- Leave 10-20% in the sale and charge a 10% interest rate to help the buyer get the property, you also profit as well.
- Provide a quantity surveyors report in case the property is purchased buy an investor.
- Offer a furniture package, or sell the property semi furnished, pick up bargains at auctions and garage sales.
- Know you worst-case scenarios.
- Trade one property at a time until you build up a good cash reserves. Always consult with your accountant or financial advisor.

flips and simultaneous settlements

A **flip** is a property investing strategy where you sign a contract to buy a property and then sell your interest to a third party before having to settle or close on the deal.

An example

Philip finds an absolute bargain of an investment property in Campbelltown, a suburb of Sydney approximately 45 kilometers from the CDB. He knows that it is worth about $400,000 - but the seller only wants $320,000 for a quick sale he as needs some quick cash to settle some urgent debts.

Philip doesn't have the cash to settle on the property but he does know that he could sell the deal to someone else who does.

He completes a full due diligence before signing the contract on a 30 day settlement with a deposit of $5,000.

Mary is a property investor with significant means behind her. A mutual friend puts her in touch with Philip after Philip made a post on an Internet forum outlining that he was selling a property for less than market value.

Mary is very interested and offers Philip $390,000. Philip can't believe it and accepts immediately. They arrange the dates so that there is a simultaneous settlement between Philip and the original vendor and also Philip and Mary.

Both feel it's a win-win outcome as Mary picks up an investment property that fits with her wealth creation strategy (she plans to renovate it) and Philip has made a lot of money for simply brokering a deal.

What are the critical success factors?

The critical success factors in a flip are:

You must have consent in writing from the vendor.

You must be confident that you have a buyer.

flips and simultaneous settlements

1. Finding undervalued properties

In the example above Philip stumbles across an undervalued property.

Like most creative investments however, the time that you allocate to sourcing opportunities will have a direct impact on your success. If you're already stretched for time because you're working long hours in a job then flips won't feature greatly in your property investing portfolio.

Simultaneous settlements work very well in slow moving markets and they are more common than you know.

2. Finding someone to flip to

Your role in a flip is to dispose of your interest in the contract to another party before having to settle on the property. In other words, you are acting as a private broker by seeking to pass on the property to another person and receive a commission in the form of the difference in your buy sell price.

While you might be able to locate a cheap property, your eventual success remains dependent on finding someone who wants to buy it off you.

That's why it's critical to maintain a database of investors who are time-poor and are happy to pay for you to bring them deals.

3. Affordability

If you can't flip the property before the settlement date then you'll have to buy it. This means that you have to be conscious of the financial impact upon your wealth creation plan should this happen. Some vendors may allow you to leave the date open especially in country areas where properties move slower.

4. Lease-option profitability

Flips in Australia is not as straightforward as it seems to be in the United States. There are three issues that will impact your lease-option profitability. They are:

a. Stamp Duty
   You may find that there will be double stamp duty payable on a flip.
   In the example above Philip would have to pay stamp duty on a purchase price of $320,000 and Mary would have to pay it on $390,000.

While there may be ways around this, such as buying an option to purchase the property rather than agreeing to buy the actual property, the legalities are complex and you should consult a lawyer before setting up the flip or simultaneous deal.

b. Licensing issues
   Because you are selling a property that you don't technically own and making a profit as a result, it's likely that you are going to need to be a licensed real estate agent.

If you're not a real estate agent then it doesn't mean that you can't do it, you're just going to have to operate under the auspices of someone who is. This means that you'll need to pay some kind of fee to ensure you are operating within the law.

c. Capital gains
You should also be mindful that if you buy and sell something that triggers a capital gain in less than 12 months then you will not be eligible for the 50% Capital Gains Tax discount that individuals are otherwise entitled to. See your accountant for more information.

Taking these three issues into account, let's dissect Philip's profit on the basis that he has to pay a real estate agent $3,000 to operate under his agency.

Contract sell price	$390,000
Less Contract purchase price	$320,000
Less Legals	$2,500
Less Stamp Duty	$14,860
Less Agent's fee	$3,000
Capital gain	$49,640
Capital gains tax @48,5% =	$24,076
(assuming top marginal income tax rate)	
After tax profit	$25,564

While this is still a great outcome for Philip, it demonstrates how a $70,000 book profit ($390,000 - $320,000) can be whittled away to just $25,564 after tax and expenses.

instalment sales contracts

Overview

An instalment Sales Contract is based upon the standard form Contract for Sale of Land. However, it has special features similar to those found in terms contracts such as for sale of goods, plant and equipment, namely:

(a) Completion is delayed. Instead of four to six weeks, an Instalment Sales Contract will not be completed until the final instalment is paid. This may be several years after the Contract is signed.

(b) The Purchaser takes immediate possession. Under an Instalment Sales Contract the Purchaser takes possession on signing or within a few weeks after signing and continues in possession for so long as they pay the instalments of the price (with interest) punctually. In addition, the Purchaser pays all rates and taxes and is responsible for the care and maintenance of the property.

(c) Ownership remains with the Vendor. The title to the property remains in the name of the Vendor, even though the Purchaser has possession, until the final instalment is paid. Until that time, the Vendor must ensure that the Purchaser keeps the property insured and in good repair.

(d) Completion can take place at any time. The outstanding balance can be repaid by the Purchaser at any time without penalty. When they do so, the Purchaser can complete and transfer the property into their ownership.

Purchaser's obligations under the instalment sales contract

The following is a summary of the Purchaser's obligations under the Instalment Sales Contract:

(i) To pay the deposit on signing the Contact. The deposit is to be agreed upon.
(ii) To pay the instalments of the price, monthly and rates and taxes, promptly.
(iii) To pay stamp duty on the contract as required by State legislation.
(iv) To keep the property in good repair and condition and not to make any structural alterations to the property or demolish any part of the property, without the Vendor's Consent.
(v) To remain in possession of the property during the continuance of the contact, that is, not to lease it out to others.
(vi) To keep the property insured for full replacement value.
(vii) Not to encumber or mortgage the property or their interest in the property.
(viii) To require completion, ie a date for payment of the final instalment, earlier than provided in the contract.

Vendor's obligations under instalment sales contract

(i) Not to disturb the Purchaser's occupation of the property.

(ii) To transfer the title of the property on completion, that is, when the Purchaser has paid all instalments due.

Vendor's rights under instalment sales contract

(i) The Vendor can retake possession of the property immediately if the Purchaser defaults under the Instalment Contract and either keep the property, or resell it.

(ii) To vary the interest rate payable on the instalments, to reflect changes in rates paid upon the Vendor's finance.

Flowchart

Signing of Contracts/Payment of (agreed) deposit/Exchange of Contract

Purchaser takes possession of property, pays first monthly instalment

Monthly instalments continue on the same day in each month to cover the price and rates

Final instalment paid — completion: property title transferred to Purchaser

joint ventures with no equity and no debt

If you don't have any equity and can't raise the funding you can still purchase property by finding the right deal.

If you can find the right deal, you can organise a 3 way partnership between a debt investor, an equity investor and yourself. You might divide the partnership as follows:

Debt Partner: 37.5%

Equity Partner: 37.5%

You: 25%

You are entitled to your equity share for finding the 'deal', organising all the documentation and loans, and leasing the property.

Create a deal where you buy your partners out within 10 years for a pre-agreed amount.

Refinance the property to buy out your partners, earlier if required.

Find debt partners who have a high borrowing capacity (professionals).

If the debt partner can borrow 90% LVR loan, you can provide the other 10% equity funding by using the equity you have created through a wholesale property discount and the potential capital growth.

You can purchase multiple properties (even the whole development) in 'one hit' to obtain the largest possible discounts and to control the price of, and therefore influence, the valuation.

the most commonly asked questions for investment properties

What is a residential investment?

A residential property is a house, townhouse, terrace or unit, which the owner does not use as a personal residence, but rents out. This allows the investor to benefit from both tax advantages and rental income from the property.

What is a negatively geared property?

The term "negatively geared simply refers to a situation where your cash outflow to maintain an investment exceeds you cash income from the investment itself.

For example, with residential property, if the mortgage payment on your property exceeds the rental income from the property, it is considered to be negatively geared. In other words, the investment income is negative, which allows you to claim the interest costs on your mortgage or loan as a complex tax deduction.

Recent studies demonstrate that negatively geared rental property remains the most tax-efficient investment vehicle in the 1990's.

What if I didn't feel comfortable about going into debt?

While the concept of debt may seem disturbing, the reality is we live with debt of one from or another, and few people attain true financial independence without some form of leveraging. In fact, most Australians are actually more comfortable with debt than they realize, through the mortgage on their home, or perhaps the loan on their motor vehicle or their furniture. Many of us are in "debt" to the taxman by virtue of the fact that we earn an income.

There are two key principles that will ensure security when it comes to borrowing:

Only borrow to purchase appreciating assets

Make sure your debt is manageable

the most commonly asked questions for investment properties

What happens if my income stops and I can't service my debt?

The answer to this question can best be demonstrated by looking at the financial circumstances of the average Australian family. With interest rates the lowest they've been in years, many families are focused on paying off their own home as quickly as possible.

For example, a couple may be trying to reduce the term of their loan by paying an extra sixty dollars each week. If one partner gets sick, or loses their job, they may be placed in the position where there is no redeemable asset base to turn to but their own home.

If the same sixty dollars a week were invested in a second house, the risk may actually be diminished. The advantage of investing in a redeemable asset base is that, if something happens, the family house is not put on the line — there is something else to turn to.

Life or trauma insurance and income protection policy will replace 75% of a person's regular income while that person is unable to work.

What if I need money in a hurry?

Residential property offers a lot of flexibility. Today, if you need cash in a hurry you can actually draw the equity off your own home simply by refinancing.

If, in the worst case scenario, an income stream is cut off for an extended period of time and there is no other redeemable asset base to turn to, the investment property can be sold to pay back the loan.

What happens if the interest rates rise?

If this is a concern, take out the long term or fixed interest loan. That gives the investor two advantages.

The repayment amount is known in advance, it is therefore easier to plan financially.

The amount of interest paid will remain constant for the duration of the fixed term, despite a rise in interest rates.

Remember, whenever interest rates rise, property prices also rise, providing the capital growth in stream for investors. We only have to look back to 1988 too see an example of the parallel between a rise in interest rates and a peak in property prices.

the most commonly asked questions for investment properties

What happens if I can't find a tenant for my new property?

It has been our experience that, provided a building is in reasonable state of repair and you are not a greedy landlord, you can find a tenant for it.

This is particularly true of the lower end of the rental market. If there is a protracted vacancy rate (for example, anything more than two weeks) it may be a matter of adjusting the rent slightly.

With the right property management in place, however, vacancy should not be a problem. A good manager — in the form of either on-site management, or local real estate agent — should have no difficulty finding suitable tenants, with whom they can foster a long-term relationship.

What happens if a property is damaged or if I have a bad tenant?

Comprehensive insurance will protect your property against most forms of damage. The cost of insurance is minimal and is tax deductible.

If you are correctly insured, an instance such as natural disaster can actually work in your favour, by creating a significant tax advantage.

With effective property management, tenant difficulties should be non — existent or reduced to a minimum.

What if I don't have time to manage my own investments?

Maintaining control of your investment does not mean active involvement. Once a property has been purchased, an investor's involvement can be reduced to a minimum through the use of an effective property manager.

As mentioned in a previous question, the right kind of property management will save the investor time, money and tenancy headaches.

Managers can assist in some or all of the following areas: maintenance, improvements, tenant screening, rent collection, lease preparation, advertising and inspections, tenant relationships.

When selecting a professional manager, it is important to look for someone who is not only a good people manager, but someone who runs the rental roll like he runs his own business.

What if I don't have enough money for a deposit?

Cash is not necessary as a deposit when there are sufficient assets to borrow against. For example, the equity in an existing home can be used to finance the purchase of an investment property and its associated costs.

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.

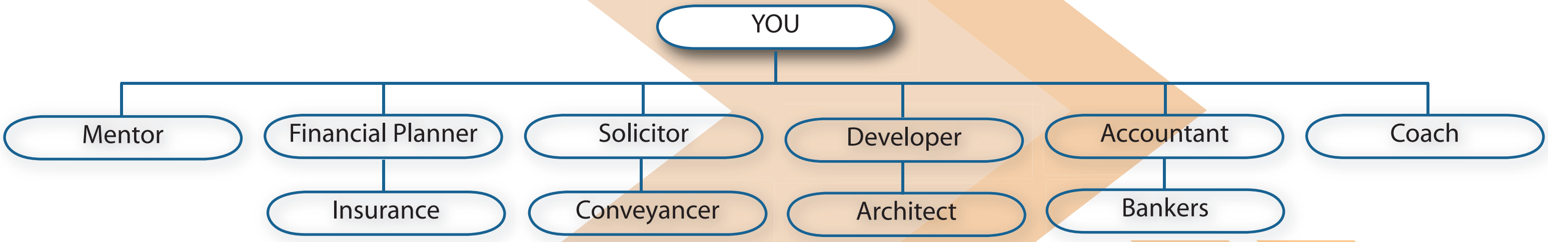
On going Support

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 throughtout 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.