FAT PROFITS

These investors share their strategies to build fast equity in their million-dollar-plus portfolios so you can do it, too.

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Many of us love real estate as an investment vehicle for reasons beyond just the numbers. Property is tactile, solid and steady. It's a sensory investment that's tangible and real with practical application. Ever tried to build a shelter from your share portfolio? It isn't easy.

Property has that long-term feel and is renowned for its steady-as-she-goes investment potential. Many are happy to sit and wait, riding the value cycles over decades, building slowly towards the magic million equity mark. There are, however, investors who are keen to drive their profit position. They're actively seeking investments that will be worth a whole lot more than what they paid, and they'd like to see the value rise in the shortest possible timeframe.

Big equity gains, particularly when fast, have their advantages. The most obvious is the ability to draw against your holding quickly and reinvest to grow the portfolio. Having an equity buffer also means less concern if you suddenly need spare dollars for an unseen expense – there's a fiscal margin there whenever required. There are multiple approaches to gaining equity including renovation, small development, options, analysis, joint ventures – or a mixture of any of these. It's not one-size-fits-all, with entrepreneurs needing to not only analyse their goals and finances, but their strengths and weaknesses as an investor, too. It's no good swinging a heavy hammer as a renovator when your real strength lies in project management.

The ability to create quick equity over and above the market doesn't happen by accident. Investors need a strategy and guidelines to ensure they're achieving exceedingly good results and sprinting towards their first million.

We've brought together a group of investors who are walking the walk. Through the approaches they apply, you can learn some tricks and gain motivation to have you streaking towards the magic million-equity mark.

ISTOCKPHOTO

Successful Sydney investor Walter Nanni

WESLEY LONERGAN

FORTUNE FAVOURS THE BRAVE

Investor: Walter Nanni
Strategy: Group buying counter-cyclically
Property: Bondi flats
Purchase price: $1.765 million
Purchase date: May-11
Current value: $3.5 million

WALTER NANNI MADE A CRACKING purchase that's yielded extraordinary equity for his family. He appeared as our investor profile in the June 2013 issue of API magazine. An associate at Cohen Handler buyers agents and with 20-plus years in the real estate industry, he's no stranger to analysing the market, but his Bondi investment demonstrates how being smart and buying counter-cyclically can bring in the big dollars quickly. It's too easy to put his good fortune down to luck – particularly when he worked so hard to make it happen and put both himself and his parents in a vulnerable financial position along the way.

It was late 2011 and a full recovery from the GFC wasn't in sight. While others ran scared, Walter knew quality property couldn't underperform forever. His first step was looking for multiple income streams, as well as an opportunity to increase the number of properties he owned in one fell swoop. This would help ensure constant rental income and help Walter achieve a goal of 10 holdings. He decided a block of flats would fit the bill. It also gave him an opportunity to buy and live with family, and share the benefits.

"Plus you can change the facade and common areas to add value."

His next guideline was to search in blue-chip suburbs. He knew that smart investors always try and buy quality when the market is in the doldrums. It's the first sector to start on a rise, will pick up value quickly and usually doesn't fall too hard when other markets flounder.

Finally, he set his financial limits. Walter decided $2 million would be his cut-off and was prepared to wait for the right prospect. It wasn't easy but fortune favoured the tenacious. It took 18 months to find the perfect venture – a 1930s Art Deco structure containing four units, each of two-bedroom plus sunroom accommodation and situated in Sydney's highly desirable Bondi.

"This one had been on-and-off the market for a while and it hadn't sold. I was coming back from Brisbane and I drove past and they'd slapped an auction sign up on it. I thought, 'Damn!' because I'd had my eye on it, so that forced my hand to get organised in 30 days or less.

"The units were renting for $450 to $460 each, although two were vacant.

The building also had structural issues and every unit was in need of repairs. This put a lot of people off."

Walter estimated an underpinning cost of around $100,000 would take care of any problems after getting a structural engineer out to assess the damage.

Finance was almost his undoing, and he had to come up with a strategy. Walter couldn't afford the block alone, so he asked his girlfriend to buy one of the units.

Despite her agreeing, Walter was still faced with paying mortgage insurance that could have wrecked the deal. As a solution, he asked his folks if they would be part of the venture, too. The formal arrangement would have Walter holding 50 per cent of the title, while his partner owned 25 per cent and his parents retained the balance. Informally, while the structure was under one title, his parents would effectively 'own' one of the flats outright, collecting rent from a tenant. By doing this, Walter was able to avoid lenders mortgage insurance on the borrowings.

"I said to my parents, 'You've saved me $40,000 in mortgage insurance – I'd rather give you the $40,000, so I'll pay the extra $40,000 off your unit as well.' So, I paid off part of their mortgage and absorbed it into mine."

He went along to the auction and ended up being the highest bidder at $1.765 million – but it was a leap of faith. While the application for the loan was physically in with the lender, they hadn't been officially approved for finance and here he was, at auction, buying a property unconditionally.

"There wasn't enough time but my mortgage broker and I are very close mates after 20 years of knowing each other and working together on many deals, so he told me what my limit was to bid on the auction night and I went over it, just to see how good he really was.

"The biggest purchase of my life… my (mortgage) broker said, 'Up to $1.75 million you're good, and anything more than that and you're on your own.' It actually went to $1.755 million and I froze at the auction.

"The agent came up and said, 'I think they're (the under bidders) at the end of their line,' so I threw another $10,000 on top and got it. It was one of those moments. I probably would've gone another $5,000 or $10,000 on top of that, but I didn't have to, thank God."

He says there was never any question he would complete, despite pushing the borrowing capacity to its limit. It was an investment too promising to let go.

Six or so months after the purchase, Walter and his partner split, so his sister, who was already living in the complex, bought the ex-partner's share. She effectively took possession of the top-floor unit where she already resided.

As well as the underpinning work they renovated the flats so the total cost of the post-purchase work came in around $150,000 – or less than 10 per cent of the purchase price.

Today, for a $1.915 million outlay, Walter and family sit on an impressive holding with a current value 'as is' of $3.5 million. It's a gross gain of almost $1.6 million in just four years reflecting an annualised growth rate of 16.3 per cent. Best of all, there's strata potential for the building and each unit would likely fetch around $1 million once separately titled. They're also looking at building upstairs into the attic as well as the potential to include bigger outdoor balconies after having built a great deck in the backyard – it's all to add more value in the future.

Walter says you shouldn't listen to the naysayers if all indications are you've found a winning deal.

"People were saying to me, 'You're not ready for this, you clearly don't have enough equity and you're stretching yourself, just let it go and buy the next one,' but I looked and there were no blocks that had been sold under $2 million for quite some time and I didn't think there'd be another one.

"I had one good friend who is a smart investor, and he helped steer me into just going for it. I knew we had to do this – now or never. This was the deal that would set us all up so I went for it. Besides, knowing it's Bondi and it won't let us down, I thought at worst if I buy and make a mistake, I'll sell everything else I own just to own this."

Given Sydney's sterling market run, a block of units in Bondi is obviously beyond the reach of most mum and dad investors, but the rules can be applied on the small deals in other markets, too, which is buy counter-cyclically, aim for a great location, mitigate the risks, look for the fundamentals and back your judgment.

It's the tried and true approach to maximising your equity gains.

COOKING UP EQUITY

Investors: Trampas & Melina Carpenter
Strategy: Buy and hold, renovate, compounding
Started investing: 2012
Equity gain: $1.09 million

SOMETIMES ONE STRATEGY ISN'T enough to drive big equity gains. A mix of approaches has seen Trampas and Melina Carpenter build more than $1 million in equity at an impressive pace.

For 36-year-old chef Trampas, and 33-year-old Melina, their initial real estate purchase in 2010 was a home – the usual first tentative step. It wasn't until 2012, however, that they began their life as earnest investors.

"We wanted to get our house paid off so we didn't have to work away. We were both keen to achieve financial freedom," Trampas says.

The couple met at a restaurant in Brisbane's South Bank. Trampas was working in the kitchen while Melina was waitressing before heading off to the United States and then to Europe. The attraction must've been something special because Trampas hung up his skillet and followed her over to Glasgow, where the pairing flourished.

That was 10 years ago and the couple are now eagerly awaiting the arrival of their first baby in September.

After returning Down Under, they thawed out the European frost by heading to Queensland's Sunshine Coast and bought their Mooloolaba three-bedroom townhouse. It turned out to be a savvy financial move, too, because when it came time to begin building portfolio wealth in 2012, there was equity to draw against.

"I read *Rich Dad, Poor Dad* and it just changed my life. It honestly did. It was that light bulb moment that, I think, every human should have," Trampas says.

For Melina, that first step was the hardest in the journey. They'd paid down a sizeable chunk of their home, and would've had it free of the bank's clutches within a year. Now they were talking about dragging all those hard-won dollars out and diving into property investment.

"I was freaking out a bit because I was like, 'Oh my god. I've worked my ass off.' All I ever wanted to do was own my own home… It took a little bit of convincing."

The key to getting past the investment jitters was setting goals and making plans to reach them.

"We had one-, two-, five- and 10-year goals and we kept going back to those and revisiting them every year, just making sure that we were on track."

For their first investment, they stayed close to home and bought a four-bedroom house in Buderim – just six kilometres east of Mooloolaba.

"The people who were selling were moving to a retirement village and they wanted a quick settlement. They had $540,000 on it… and we got it for about $400,000. We really low-balled, and they took it straight away, so it worked out well," Trampas recalls.

After dipping their toes in with Buderim, they found their investment adviser, Duncan, in August 2012, who developed a strategy to start getting them ahead at pace. Duncan's initial advice was to diversify away from Queensland and look for high-growth locations elsewhere.

"Buy where you're going to get some capital growth, and equity gains and buying the right type of property, in the right market… but also, to use the money that we'd already saved up in our PPOR to work for us rather than us just working for money," Trampas says.

After discussing loan structures and

WA investors Trampas and Melina Carpenter

"In 46 hours, we turned it around and made $127,000 profit."
TRAMPAS CARPENTER

strategies, their next move was a house-and-land in Cameron Park, New South Wales, on the fringes of Newcastle. They paid a total of $450,000 for the project. In a lesson on backing your judgment, the valuation came in at $435,000 when they first signed up, but the Carpenters weren't dissuaded. Trampas even sold his beloved Porsche Boxter to help get the loan over the line. It paid off – by the time the Carpenters took possession in mid-2014, the home was worth closer to $490,000, and it's now valued at $575,000.

Their next buy in St Marys, NSW, was a rock star performer. One of their great investment quirks is for each of them to take turns picking what to buy next. Trampas is quick to take credit for this one.

"This was a hard sell for me to Melina. I was like, 'No, I think this is going to be good, it's Sydney!' We'd just done all the research on Newcastle and the new freeway… I was pretty confident it was going to be a good deal."

And it was. They paid $304,500 and spent $5,300 on new carpet, lights, paint, flooring, and landscaping in a 46-hour renovation marathon that would've impressed *The Block* judges. And what was the end result?

"In 46 hours, we turned it around and made $127,000 profit," he says.

The team then moved back to Queensland and acquired a Morningside townhouse in early 2014 for $500,000. Trampas says it's been a solid buy-and-hold with continuous tenancies and no problems.

"To us it's just a good buy because that area is really starting to heat up.

"Once again, I think we got a good deal, because we bought it for $500,000 and two weeks later the one beside us sold for $535,000."

Next up was a chance to buy an off-the-plan, two-bedroom unit in Brisbane's urban renewal heartland of Newstead with their self managed super fund.

"We chose a corner unit so we have a little bit bigger balcony and it's also away from the elevator shaft."

Their most recent purchase is a PPOR in Bentley, Western Australia, where Trampas now works for a company that caters for mines and airlines.

They paid $442,000 for the three-bedroom home and have spent some money renovating. It looked like the owners were in the process of splitting up and seemed keen to sell. Melina says they'd once again bought well.

"We spoke to the real estate agent that we bought it from and after we put this place under offer and it had been accepted, they said they had so many enquiries, and a lot were prepared to pay a lot more than we had."

Trampas says their approach has been to diversify and be fearless. They love to hold, but will renovate and sell. Far and away their best move, however, was to just get organised and tap into the unemployed equity already sitting in their home.

"We had all this money sitting there but it really wasn't doing anything for us. We were on very good wages and were just getting taxed and there was nothing else happening for our money. It was really controlling us."

They also set their own investment rules, according to Trampas.

"We stay close to the sea and we don't buy in mining towns – you need to have a little bit more than just one industry moving the economy."

Melina says the second rule is to maintain a margin.

"We always have buffers in place. If we do have a period where we don't have a tenant, we've got money there ready to go. Or if there's some major maintenance issue or something like that, we've got our reserves there so that there's no stress."

Melina says having a plan, keeping a buffer and knowing the answers to difficult investment questions has taken her from being a nervous investor to an informed and savvy landlord.

They've also made hard decisions (remember the Porsche?) because they know there'll be a great upside.

"We've made some sacrifices, but they've always been for the greater good. We're committed to what we're trying to achieve."

In the end, that means unshackling the constraints of a nine-to-five job – especially for Trampas.

"We've got little bub on the way and I want to be home for it. I think that's the end goal. I love working, but I'd rather be doing something I really truly love – be close to my wife and friends and family than having to fly away for two weeks at a time for a job."

THE NUMBERS | TRAMPAS AND MELINA CARPENTER

Location	Property description	Acquisition/ settlement dates	Property price	Current value	Equity
Mooloolaba, Qld	3-bed, 1-bath townhouse	Jan-10	$374,500	$460,000	$161,000
Buderim, Qld	4-bed, 3-bath house	Feb-12	$399,000	$550,000	$240,000
Cameron Park, NSW	4-bed, 2-bath house	Sep-12	$450,000	$575,000	$198,000
St Marys, NSW	3-bed, 1-bath townhouse	Nov-12	$304,500	Sold	Sold
Morningside, Qld	3-bed, 2-bath townhouse	Jan-14	$500,000	$560,000	$92,000
Newstead, Qld	2-bed, 2-bath unit	Sept-14 (under construction)	$570,000	$615,000	$159,000
Bentley, WA	3-bed, 2-bath house	Mar-15	$442,000	$510,000	$240,000
TOTAL				$3,270,000	$1,090,000


The Newcastle townhouse


Outdoor living at Morningside


The Carpenters' property in Morningside


Their Mooloolaba townhouse

RENOVATING RICHES

Investors: Wayne and Jan Green
Strategy: Renovation
Renovating since: 2013
Best annualised project return: 68 per cent

SOMETIMES YOU NEED A FEW YEARS TO crack the investment code, but once you hit on a big-gain solution, your equity will move at a sprint.

Forty-eight-year-old Wayne and 45-year-old Jan Green weren't novice investors when they decided to get serious about equity building via renovation in 2013. They're now on the path to hitting a million in makeover profits sooner than they'd ever expected.

Wayne started his own property journey in 1991 before meeting Jan and marrying in 1993. The Perth-based husband and wife team got straight into it with a second investment. Wayne was reacting to his surrounding sources, i.e. the mutterings in the shearing shed where he was working at the time. They eventually sold both investments to buy their acreage in Western Australia. It was just right for raising their three daughters and living the dream. Yes – Wayne is father to three girls, but he's addressing the balance.

"Yeah, I have had my work cut out for me, mate – that's why I've got a dog and a cat that are both boys!"

In 2003, they decided to try their hand in property again. The Greens kept on investing, eventually building a portfolio with more than a million in equity. Wayne says they were fine with a slow and steady pace back then.

"Because I was working away from home doing mining work, I was after stress-free investments. They were new properties, there was no maintenance and there were no issues."

Wayne says while the overall outcome was good, they'd had mixed individual property success. Their best investment was in the once-hot mining centre of


Their second project - before


Their second project - after


Renovation three - the kitchen needs some work


Renovation three - a cracking kitchen reno!

A CAUTIONARY WORD

Counterpoint

Ben Kingsley, chairperson of the Property Investment Professionals of Australia, likes the idea of property portfolio success, but says those seeking fast equity need to be across the risks.

"In theory the idea of growing equity too fast sounds like a problem we'd all like to have because it indicates that the value of the property has increased, or we've been able to reduce the debt on the property quickly.

"If I think about the ways in which equity can be generated quickly one of the first strategies that comes to mind is renovating to add value. This is an active hands-on strategy that has been popular for many, but it does come with challenges and risks. The biggest risk of all is investing extra funds into a property but getting no equity harvest in return. The other great danger is taking too long and overcapitalising on the property compared to other properties within the area.

"One of my biggest concerns for any investor who is chasing quick returns, which includes trying to grow equity too fast, is the debt risk some of these people take on. They might be encouraged by others or by their desire for get-rich-quick and this leads them to borrowing very aggressively, whereby just one unforeseen event could be the trigger for their whole strategy collapsing in on itself.

"One must understand the basic risk-reward principals of investing. If the rewards are better than average or high, then more often than not so is the risk element."

GREEN RENO

Use your smartphone or tablet and your favourite QR scanner app to see a video of Wayne and Jan's renovation work and to view Cherie's opinion on Wayne and Jan's approach.

Port Hedland where he was working. The couple's timing was impeccable and Wayne puts it down to being in the area and keeping track of the market. They were able to buy in, enjoy great rent and sell out before the market caved in.

The pair does, of course, have a 'wish I'd never seen the thing' investment story – a studio unit in Cairns, Queensland, where an over-the-top rental guarantee caused some headaches. Not ruination but certainly a moment to take stock on your approach to investing.

After all their years of investing, Wayne and Jan had both learned to be actively improving knowledge, so they decided to try a few courses. Not every experience was a winner, including a $5,000 workshop with an investment adviser. Wayne says the only thing he learned was that he'd just blown $5,000.

Unperturbed and still enthusiastic, the pair decided to see what renovation was all about and signed up for a workshop with Cherie Barber in early 2013. It ended up being a turning point in their investment strategy. They've taken on renovation with gusto, completing three projects since doing the course.

Their first purchase was a shambolic shack in Perth approximately seven kilometres south from the CBD. Wayne says they managed to form a good relationship with a local agent and could jump on the deal as soon as it hit the market.

"It was just trashed. Speaking to the neighbours, there were homeless people who were coming in and sleeping out the back. No one lived there. You couldn't get in the back door! The ceiling had [even] fallen in. It was a classic reno."

They purchased the home for $486,500, but they were fairly certain that it could've achieved more than $550,000 if it had a minor tidy up and went to the open market.

"We spent about $35,000 on the renovation… We pulled all the carpets up and it had beautiful jarrah boards underneath. We polished all those and painted the kitchen – very basic because this was a keeper. I knew that if I went back to the banks, I'd get the equity out."

Four months after the hard work, Wayne says there was a very satisfying result.

"The valuation was $620,000."

After this first flush of success it was time to move onto the next. Sticking with the inner-southern suburbs of Perth, Wayne says they found another great project.

It was a 'work in progress' where the original owner had been renovating for almost 12 years. Their agent rang and said she had a hot prospect and Wayne basically furnished a contract within days of his inspection. He was confident of buying well, but that didn't mean he wasn't feeling butterflies.

"I was standing in the bathroom looking at it going, 'What the hell did we do here?' I had an idea but I was scared because the ceilings had to come down. There was just so much work. We negotiated, but we gave [the seller] what she wanted in the end"

They paid $420,000 for the 1920s bungalow and spent $165,000 over five months before selling for $750,000, which works out to an annualised gain of 68 per cent – an extraordinary outcome.

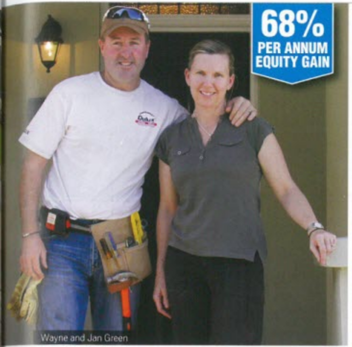
"This is what got us going and I was thinking, 'Well, we're onto something here.'"

The couple are now onto their third proposal and it's set to deliver more dollars to the cache. It's another southern Perth suburb where they've paid $505,000 for a lowset four-bedroom home that with floor polishing, external render and paint, and smart internal upgrades has yielded a very appealing property. Wayne believes that the project will realise another $100,000 profit.

All in all, the Greens have created $400,000 in their portfolio over 18 months in a flat Perth market through savvy purchases and smart renovation. It's just the freedom-creating approach they've been looking for.

"We'll keep doing it. Then eventually we'll just sell down as required. Jan and I want to travel. We do a lot of cycling, so we want to go to Europe and cycle and climb mountains and just do what we want to do.

"It's about accumulating properties where you can generate growth instantly, and then in a few years' time, you just might sell one off one year, and then live on that, and then maybe one a couple of years after that."



Wayne and Jan Green

> "It's about accumulating properties where you can generate growth instantly."
> WAYNE GREEN