



THE TROUBLE WITH TUGUN

In his early days, TV star Bryce learned the hard way that you're better off sticking to what you do best. ANGELA YOUNG

If you've seen him on the television, calmly hosting the hugely successful *Location, Location, Location Australia*, you'll be aware that buyers' agent Bryce Holdaway knows a thing or two about the property market. But as with every investor who's ever lived, that experience and knowledge has been earned the hard way, with a couple of blunders in his early days that gave him cause to take stock of his strategy.

"I had a bit of success on my first couple of properties, so I thought I was just a legend and knew everything about property," he says, laughing.

The year was 2004 and a group of three, which included Bryce along with his business partner at the time and someone they knew from Coffs Harbour, put their heads together and came up with a plan, one they thought could net them a tidy profit.

"We decided we'd undertake a property development project on the Gold Coast," Bryce explains, "having never really done any significant development ourselves before."

"We were going to build 21 apartments on three levels with a pool, an onsite caretaker, all those sorts of things."

Bryce was in his late 20s at this stage and his business partner was 14 years older, in his early 40s, while the third investor was in his late 30s.

As Bryce points out, there was a reasonable level of wisdom there: "One of the investors was a business banker for one of the four pillar banks who was funding other developers within northern NSW, so it's not as if we were a bunch of numpties just having a go."

As it turned out, however, their level of wisdom simply wasn't enough.

"We went to contract on two houses side by side in Tugun," he says, "which is near the Gold Coast Airport."

"The site would've been 400 metres from the beach... things were really stacking up."

"We employed one of the best project managers on the Gold Coast, who'd done really big projects and one of the guys I was involved with knew him personally, so we were trying to mitigate our risk."

RULE CHANGE

In the end all it took, however, was a pen stroke from someone at council, and the dream build came crashing down.

"Under the old town plan we complied," Bryce says, talking of

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BRYCE HOLDAWAY

their applications, “but they were just changing over to the new town plan. The GC was going through a whole bunch of changes at the time, where they wanted developers to contribute more to the headworks cost and the infrastructure cost.

“While we complied with the old town plan, they were rejecting anything that didn’t comply with the new town plan, even though it wasn’t necessary until a couple of months down the track.

“The council was in that changeover, so they just took the view, ‘well, we’ll reject everyone... just let the squeaky hinge get the oil.’

“There were shopping trolleys full of development applications going into council in the lead up to this deadline, where all these developers were trying to get in under the old town plan (and we were one of them), so they were just inundated.

“They must have just made a strategy to get the big red REJECT stamp out and go reject, reject, reject, send it back to everyone and see who shouts the loudest.

“So we had the decision – do we throw good money after bad, or do we just lick our wounds and get back to doing what we’re good at – buying properties for the long term and investing in good residential real estate without taking unnecessary risks?

“Should we continue to pursue this and throw more money at it, with no guaranteed result?”

The council’s knockback meant the \$80,000 the trio had spent up until that point was money wasted.

“We had the two houses tied up under an option, so we didn’t need to proceed with those, but we’d engaged professionals and we’d engaged costs to get our development application done,” Bryce says.

For him, though, the biggest cost was the opportunity lost.

“We’d lost two years, we’d lost the opportunity cost of getting on with what we’d normally have just been doing, and so we kind of had a little bit of a finger burned experience,” he says.

“I see it a lot now,” he adds, “where a lot of investors want to get their kicks out of property, and I certainly fell for that.

“Now I say that if you want adrenaline, go sky diving or bungee jumping or deep sea diving or something, because investing should really be predictable and reasonably boring.

“People want to see it as a form of adrenalin... and therefore are willing to take unreasonable risks whereas the slow, proven path would serve them better.”

Bryce is quick to point out that the whole Tugun experience didn’t leave him anti-development as such.

“I think there’s still opportunity,” he says, “but for novice investors or people early on, they really need to get some experience under their belt.

“My mistake was thinking I knew too much too early... sometimes it’s just out of your control.”

■ OTHER BLIPS

While Tugun is Bryce’s most costly mistake, it’s not the only blip along the way. Asked to highlight other mistakes, he mentions his first ever investment property, in the Perth suburb of Victoria Park, about three kilometres from the CBD.

“I say it reluctantly because it wasn’t a mistake that I bought the property,” he asserts.

“I think the first one is the hardest and once you’ve done the first one you’ve actually got the momentum to keep buying more properties, so it’s never a bad idea to buy one.

“But it was all the things that now, some 16 years on, investing professionally and on behalf of clients, I wouldn’t buy again.

“I don’t buy in large blocks and that one had in excess of 100 in the building. I don’t buy brand new any more and while it wasn’t brand new, it was 12 months old and I was buying directly from the developer.

“It had a pool, a caretaker and a lift, so the body corporate was quite high,” he adds, another mistake.

“I actually was buying in a part of the development that didn’t even have the benefit of the lift,” he adds, “so all my tenants still had to walk up the stairs!

“So, in terms of scarcity and owner-occupier appeal I think it lacked, and if I had my time again I wouldn’t buy that property, but looking back I don’t have regrets, because it was the first one that got me started.”

Another time Bryce found himself making some poor decisions was with some houses in Coffs Harbour.

“We developed the land and I got the timing a little bit wrong,” he says.

“I bought a little bit emotionally rather than within the safety of the capital city job market, so that was an experience that wasn’t necessarily ideal.

“I probably just didn’t understand enough about the fundamentals of what helps properties grow in value,” he explains.

“If you watch a television show now (and of course I’ve got a TV show myself, so I don’t want to bag TV shows) but there are plenty of instant, overnight millionaire shows around renovating.

“What it doesn’t teach is what makes the fundamentals for a good decision – it just sort of sells the glitter but doesn’t really talk about the... you know, it sells the sizzle but doesn’t really talk about the sausage.

“You kind of get lulled into this false sense of security that it’s all just about activity, but I think of it as sitting on a stage on a rocking chair – if you rock all day you’re actually doing something all

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day but you're going nowhere. It's kind of confusing activity with accomplishment.”

■ THE TIMING'S OFF

Long story short, Bryce buying into the Coffs Harbour investment market saw him buying in the wrong area at the wrong time of the cycle.

“The outcome wasn't great,” he says. And it wasn't just the timing of the build, the interior of the house took a bit of a style bashing at Bryce's hands.

“I bought the land, engaged the builder, built the house, and had to do all the colour selections,” he recalls.

“It was back in my mid-20s. Let's just say, I'm lucky that I'm married now so I can colour coordinate myself because back then I wouldn't have had a clue which colours went with what.

“I just went into the builder's office and picked some colours and then at the end of it went ‘God, what was I thinking?’”

Dismissing the cool, outdoorsy vibe of his location, Bryce strangely opted

for winter colours on his property's interior walls.

“Coffs Harbour's a beach suburb and I'm doing all these Melbourne winter colours of the dark kind, when it could've been light blue,” he laughs. “Something that now you'd think is just a no brainer but back then...”

“My wife would be highly embarrassed if she saw it!” he chuckles. “My wife picks colours really well.”

Bryce is convinced his dodgy colour scheme affected the price he got for the house.

“For the market it was largely attracting other families, so if they didn't feel comfortable in the house they obviously weren't going to pay a premium for it. They would've been thinking ‘well I've got to redo the splashbacks and I've got to retille the bathroom.’

“It sold successfully, but I don't think I maximised.”

Something that does irk Bryce is thinking about those sales he feels

he should have held onto: “My first mentor said ‘never ever sell, ever’, and since then I've adjusted that to ‘hardly ever sell’, because there just are times when you should,” he admits, “but I still think that with the costs of getting in, the costs of getting out, and then the money you're left with at the end (and typically you then want to get back into a different asset), you're much better off just leveraging against what you've got, even if you've made a poor decision, so that you can buy an asset that's a better decision than selling.

“I've got a property now on the Gold Coast that's flat lined since I bought it but it delivers me a really great yield,” he says. “I don't necessarily think there are too many times you should sell, but I do think the blanket rule ‘never ever sell’ is just a little bit too hard and fast.”

Of the four properties he's sold over his investing career so far, Bryce feels most if not all would probably have been better held.

“I went counter principle to that first mentor who said never sell. It's kind of that theme of thinking that I knew it all and just keep turning them over and moving forward, but in hindsight it wasn't a good idea.

“I think there was a strong case for keeping all of them.”

Nevertheless, despite opportunity costs and bad paint jobs, Bryce doesn't waste time on remorse.

Of the Tugun mistake he says: “There was a seven-figure profit in it if we did it, but I think you realise over time that we'd bitten off more than we could chew. So no, no regrets.” API



Tugun beach



Naughty neighbours

For an interesting (and slightly scandalous) addendum to Bryce's Tugun property mistake tale, use your smartphone or tablet and your favourite QR scanner app to read more...