

**How to fast-track  
your profit so you can**

# Retire sooner,

**Maximising your profits through property investing may be best achieved over the long term, but there are smart strategies you can use now to fast-track your profit and retire sooner**

## The experts



### Ben Kingsley

Ben Kingsley is the founding director and CEO of Empower Wealth. He is a qualified property investment adviser and property analyst, and the chair of Property Investment Professionals of Australia. He holds a Cert IV in Mortgage Finance and is a licensed estate agent.



### Brendan Kelly

Brendan Kelly is an active property investor, RESULTS mentor and property author. He has coached over 600 property investors from all walks of life, sharing his experiences of being able to quit his day job, thanks to property.



### Jo Chiver

Jo Chiver is the founder of Property Bloom™, a successful property development management company. Jo has co-authored two books, *Property is a Girl's Best Friend* and *Property Millionaire*, and currently holds a multimillion-dollar property portfolio.

# richer

**W**e have been told that property investing is for the long term. In fact, experts we've interviewed talked about keeping your investment for as long as possible due to the high cost of buying and selling.

Yet here we are telling you that you can fast-track your portfolio by tweaking your strategy without putting your finances and your sanity in danger. Yes, we've been told by our

trusted experts that it can be done.

Over the following pages, you'll see different strategies from our resident experts, Ben Kingsley at Empower, Brendan Kelly at RESULTS Mentoring, and Jo Chiver at Property Bloom.

They'll show you step by step how to take your investments to the next level quickly and safely so that you, too, can enjoy the financial freedom you've been dreaming about.

## Ben Kingsley's plan



### Strategy: Buy for growth and time it right

In order to fast-track your profit, you need to understand the property cycle intimately and do meticulous research. [Ed note: An in-depth article explaining the cycle was featured in our November issue. Email us if you would like a copy of the article.]

Buying a property in a good location that tracks the long-term average of 8% p.a. (which we call 'baseline execution') will only give you a standard return compared to buying

» A great indicator that you are in a good location is when your main competition is coming from people who want to live there

for growth at the right time, which we call the 'timing execution' model.

With the timing-the-market strategy, you need to do your research diligently to be able to pick the right property and location and time it perfectly to get an uplift in value of 20% in the first year and then 8% each year after.

#### How do you achieve this result?

- **Research relentlessly**  
Research is king. It's extremely

time-consuming, but the results are life changing. Spend a good deal of time getting an understanding of the market you're interested in, what makes it tick, what would drive growth in values and rents, as well as the demand and supply situation.

#### ■ Look for opportunities in the 'Big Three'

There is opportunity in the three biggest cities (Sydney, Melbourne and Brisbane) for this strategy to work. It is also possible in Perth and Adelaide, but it's harder there because the big incomes don't just come from the CBDs.

#### ■ Ensure you buy under median value

Buy properties that are at or below median value. Although this strategy has been proved to work with quality period homes, it works best in the price range that more of the market can afford, and this is usually properties priced under the median.

#### ■ Focus on buying quality properties, not bargains

Don't expect to get a bargain – the values of properties in these areas aren't going to be bargains, and there is good reason for this – these properties are in demand. Expect to pay fair market value.

#### ■ Ensure there is high owner-occupier demand

Make sure your true competition is from owner-occupiers and not other investors. A great indicator that you are in good location is when your main

competition is coming from people who want to live in the area/property, as it a great measure of the appeal of the area.

#### How the numbers work in real life

Assuming you've done all your legwork in determining the right property in the right area, here's how the two strategies compare side by side.

In order to design a workable game plan, we assumed the following:

- The first five years would be the accumulation years to fast-track your outcome
- Purchase price of \$500,000 at 10% deposit (90% LVR)

#### General assumption

Available equity from home	\$80,000
Cost of buying assumed at	5%
Interest rate	6.5%
Occupancy rate	95%
Household joint income	\$100,000
Ownership interest	50/50
Capital gain after year 1	8% p.a.
Depreciation	Not factored in
Property management fees	7.7%
Loan repayments	Interest only
Rental yield	5% growing in line with values

#### The numbers

Purchase price	\$500,000
Purchase cost	\$25,000 (5% of purchase price)
Deposit	\$50,000 (10% of purchase price)
Lending ratio	90% LVR
Loan amount	\$450,000
Total cash required	\$75,000

## How the two strategies compare

### Baseline execution (typical growth strategy)

#### Year 1: November 2013

Purchase property #1  
Purchase price: \$500,000 (Nov 2013) @ 90% LVR

12 months' capital gain = 8%

Equity after 12 months = \$40,000

Verdict: Insufficient equity to purchase until November 2015

#### Year 2: November 2014

Wait for equity to grow

#### Year 3: November 2015

Purchase property #2  
Purchase price: \$500,000 @ 90% LVR

12 months' capital gain = 8%

Equity after 12 months = \$40,000

Verdict: Insufficient equity to purchase until November 2017

#### Year 4: November 2016

Wait for equity to grow

#### Year 5: November 2017

Purchase property #3  
Purchase price: \$500,000 @ 90% LVR

12 months' capital gain = 8%

Equity after 12 months = \$40,000

### Timing-the-market execution

#### Year 1: November 2013

Purchase property #1  
Purchase price: \$500,000 (Nov 2013) @ 90% LVR

12 months' capital gain = 20%

Equity after 12 months = \$100,000

Verdict: Sufficient equity to purchase @ 90% LVR in year 2

#### Year 2: November 2014

Purchase property #2  
Purchase price: \$500,000 @ 90% LVR

12 months' capital gain = 20%

Equity after 12 months = \$100,000

Verdict: Sufficient equity to purchase @ 90% LVR in year 3

#### Year 3: November 2015

Purchase property #3  
Purchase price: \$500,000 @ 90% LVR

12 months' capital gain = 20%

Equity after 12 months = \$100,000

Verdict: Sufficient equity to purchase @ 90% LVR by year 4

#### Year 4: November 2016

Purchase property #4  
Purchase price: \$500,000

12 months' capital gain = 20%

Equity after 12 months = \$100,000

Verdict: Sufficient equity to purchase @ 90% LVR in year 5

#### Year 5: November 2017

Purchase property #5  
Purchase price: \$500,000 @ 90% LVR

12 months' capital gain = 20%

Equity after 12 months = \$100,000

### Analysis

#### Baseline execution

If the purchase price is \$500,000 and the costs are 5% of the purchase price, then it will cost \$525,000 to complete the purchase of each property.

Lending ratio is assumed at 90%, which equates to a \$450,000 loan. Therefore the funds needed to complete each property will be \$75,000.

Using the baseline execution and assuming the property value has grown by 8% within 12 months, you get an equity gain of \$40,000 during the first year. However, if you factor in the buying cost (5%) and a deposit (5%), you won't have

enough funds to buy another \$500,000 in year 2. Even at a higher LVR of 95%, you will still need \$50,000 to buy your next property.

#### Timing-the-market execution

With the perfecting timing strategy for growth, you will be able to invest every year, thanks to the strong increase in the value and rent of the property.

Both strategies call for meticulous research. The only difference is the first year's growth of 20%, which then allows for the equity release to occur earlier and hence the acquisition of more properties sooner.

## End of year 1 assessment

### Baseline execution

Investment property #1 will turn cash flow positive within 10 years and three months.

Value: **\$540,000**  
Equity gain: **\$40,000**

### Timing-the-market execution

Investment property #1 will turn cash flow positive within eight years and three months.

Value: **\$600,000**  
Equity gain: **\$100,000**

### What does this mean?

It's clear that timing the market to achieve a strong capital growth outcome within a short period of time provides for superior investment returns. The example used above clearly shows that because the value of the property has grown, not only have you benefited from the greater net gain in equity but you also have two further benefits:

- 1 You can use this equity to purchase sooner.
- 2 The increased rental income, given the increased value of the property, means the property will show positive cash flow sooner.

## Your portfolio at 5 years

### Baseline execution

By the end of five years, you will have accumulated three properties, given that each property has only achieved 8% growth p.a. during the accumulation phase.

Total portfolio value: **\$2,040,000**  
Gross rental income: **\$102,750**

### Timing-the-market execution

This strategy has yielded five properties – one per year – as the equity gain of \$100,000 per property has allowed for the acquisition of a new property each year.

Portfolio value: **\$3,203,600**  
Gross rental income: **\$163,400**

## Your portfolio at 10 years

After the accumulation phase of the first five years, no additional properties are bought, demonstrating that with superior asset selection coupled with the benefit of time, your superior investment returns just keep on giving.

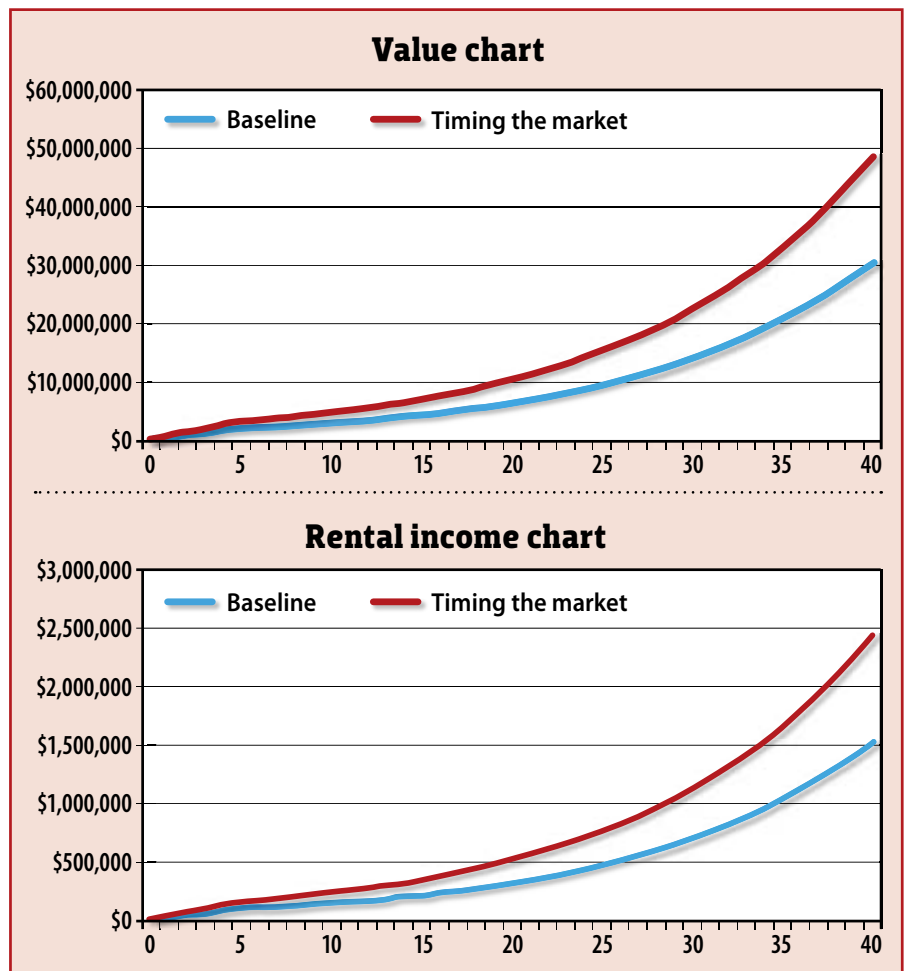
### Baseline execution

Still three properties  
Portfolio value: ..... **\$2,998,500**  
Gross rental income: ..... **\$150,900**

### Timing-the-market execution

Still five properties  
Portfolio value: ..... **\$4,788,800**  
Gross rental income: ..... **\$241,100**

See the charts below and the table opposite for a comparison of the results of the strategies. The table assumes the values of the new acquisitions occurring throughout the five years are included. Timing-the-market execution assumes rental income increases by 20% in the following year after value growth of 20% has been achieved.



## Investment property portfolio comparison

Year	Values		Rental income	
	Baseline strategy	Timing-the-market strategy	Baseline strategy	Timing-the-market strategy
0	\$0.00	\$0.00	\$17,812.50	\$17,812.50
1	\$500,000.00	\$500,000.00	\$25,175.00	\$45,125.00
2	\$540,000.00	\$1,100,000.00	\$47,965.50	\$75,335.00
3	\$1,166,400.00	\$1,748,000.00	\$58,728.24	\$107,961.80
4	\$1,259,712.00	\$2,447,840.00	\$87,660.21	\$143,198.74
5	\$2,040,733.44	\$3,203,667.20	\$102,750.93	\$163,442.14
6	\$2,203,992.12	\$3,519,960.58	\$110,971.00	\$177,230.02
7	\$2,380,311.48	\$3,801,557.42	\$119,848.68	\$191,408.42
8	\$2,570,736.40	\$4,105,682.02	\$129,436.58	\$206,721.09
9	\$2,776,395.32	\$4,434,136.58	\$139,791.50	\$223,258.78
10	\$2,998,506.94	\$4,788,867.50	\$150,974.82	\$241,119.48
20	\$6,473,551.59	\$10,338,805.76	\$325,943.32	\$520,558.87



### Top tips for executing the 'timing the market' strategy

As you have seen, timing the market can help you ramp up your profit significantly and safely over a shorter period of time.

The properties best suited to this strategy range from quality period homes to standard and tired units.

- Study the area/location and then drill down to the properties that are in demand in this area.
- Eliminate areas with an ample existing supply of properties, as well as areas with new stock to come on line in the short term, ie new subdivisions or new medium- or high-density approved developments en masse, as this will increase supply and stagnate values.
- On the demand side, study the

auction clearance rates closely, down to property type and number of bedrooms, as this drills you down to where real demand lives in real-time results. For example, you might have a suburb that has 15,000 dwellings, so the median value is really only going to be a guide, but what if a two-bedroom apartment in that area has a clearance rate of over 80%? Then you know for a fact that there is extremely strong demand and limited supply, so you are going to see a quick uplift in values, and that is what timing the market is all about.

- Track each property type by number of bedrooms, and watch their trend patterns.
- Combine this with lifestyle and demographic/socio-demographic research around incomes and age ranges and changes between census periods, and you will be well placed to find areas in city locations that have real uplift in values (20%) in a year, and that

will also sustain the longer-term trend of growth as they become 'blue chip' locations.

Make no mistake – this strategy looks amazing on paper, and it's the pursuit of every investor to get the best returns they can. What's interesting about this strategy compared to most of the other strategies talked about when referencing 'fast and safe' is that almost all of them require active or 'hands-on' work – really a second job to make it happen quickly.

This strategy, however, is all about the skill of the investor and the analysis they undertake to seek out the right opportunities at the right time.

Interestingly, it also highlights that it can be done successfully by focusing on growth-property areas, which in many cases can be city or major town locations; and this also often reduces the downside risk to the investor as the growth drivers in a city location are more reliable and less volatile than those of speculative locations like mining centres.