



Discover proven tips, strategies and techniques to dramatically increase your property investing profits.

By Steve McKnight

Your Notes

30 August 2002

Hi [FNAME],

Welcome to your August edition of 'Insider' - the PropertyInvesting.Com e-bulletin for positive cashflow investors seeking a lifetime of passive income from real estate.

This month's topics are:

1. Mastering Property Investing...
2. My 6th Rule of Property Investing Success
3. Is Avoiding Rental Increases To Keep Good Tenants Happy The Best Tactic?

OK - Let's get going!

Mastering Property Investing...

First off the bat I'd like to share with you the some of the many great outcomes that 'Australian Masters of Property Investing' seminar participants have already achieved.

Just to refresh, the event was held in Melbourne on the 3rd and 4th of August and was a complete sell out with nearly 200 keen investors securing a prized spot.

The theme for the event was to reveal exactly how a genuine positive cashflow outcome can be generated for ANY property, regardless of cost and location, provided you:

1. Buy the 'right' property AND
2. At the 'right' price AND
3. Using the 'right tactic'

Your Notes

Over two days of intensive and practical training, participants were shown the blueprint which other successful investors have

followed to generate big profits from a variety of property investing techniques.

The outcome delivered was a practical plan and detailed outline of how find and harvest properties in order to achieve immediate positive cashflow results. And judging by the feedback - that's exactly what participants did!

Here's a tiny snapshot of the feedback:

"I attended the Property Investing Master weekend and just wanted to pass on my congratulations for an excellent program. You found the right people with the best information. I have attended many seminars and many that have cost far more than yours. However I didn't receive one tenth of

the information I received from yours. Already from your weekend my partner and myself are better off on a deal. I will be promoting you web address to all I know and if you have another weekend I will be attending". - John Farrugia

"I'd just like to say thank you for putting on a great seminar on the weekend. Since the seminar finished I have not stopped thinking about what I need to do and have already written up my plan. I have used your problem solving method to raise \$28,000 for the Salvation Army... all from the power of your seminar! Steve - you're a good teacher. Thanks for your help." - Pieter D.

"I just wanted to say a big thank you to you and your team for putting on such a great Australian Masters event - it was awesome. Before the seminar I had been researching the different methods of real estate investing for 12 months or more; I felt like I was ready to take action and go out looking for the first deal for quite some time, but because of the many hundreds of reasons my mind would conjure up, I never took that first step.

Your Notes

Your seminar was exactly what I needed to prompt me in to action :-). I brought a good friend and colleague of mine along, and to cut a long story short, we are undertaking all the necessary steps to make a start. We both left your seminar determined to be in that 1% of people that take action!

Your ability and willingness to share this great information (that you don't learn in school) is truly wonderful. I want to encourage you for the work that you are doing, I mean sure you are making money out of it, but I really think you are delivering excellent value. And in the world we live, that is a great encouragement. We are excited at the prospect of creating a brighter future for us and our families - thank you!" - Tim Wilson

Thank you to you and all the other presenters for delivering a seminar full of invaluable information. We have now gained immeasurable courage and purchased another investment property. Thanks again and keep up the good work" - Elizabeth De Nardis

Your Notes

"Before attending the event I wasn't sure of how to work out my borrowing capacity, but now I certainly do! In fact, I was delighted with all the information delivered at the Property Investing Masters event. Since the seminar I have been using the information and templates provided to develop my financial freedom plan, network with investors and finance providers and also search for properties. I recognise that I'm still in the 'information gathering phase', but following on from the seminar I certainly have a much better understanding of what's available in the world of property investing." - Gary Woodcock

"The scepticism is gone and our eyes are wide open again. The material is first class. Thanks again for a wonderful event and the Wrap Library" - Andrew Burgan & Julie Smith

"The Masters weekend definitely got me to take the next step sooner than I otherwise would have." - Chris Bedford

"In the week after the seminar I went on to purchase another investment property. That makes number 5! I am relatively happy with this as I only started four months ago, but I now realise that to achieve my target of 20 properties by the end of the year then I'll need implement my investing plan even faster. Thanks Steve for a great weekend!" - Fergus Gartlan

I'd like to thank all participants and fellow presenters who all contributed to the great success of the event. Special thanks also to the 'behind-the-scenes' team who ensured that everyone was made to feel comfortable and for delivering the high level of satisfaction that was enjoyed by all.

It's not too late for you to secure a seat at the final Australian Property Investing Masters event scheduled for Sydney on the 9th and 10th of November. There are approximately twenty spaces left, which I am happy to offer to Property Investing.Com community members for a special members price of just \$1,995 - plus you can bring a friend or associate for **free**.

This means that you and a friend will be able to attend the best value-for-money event in the country for just \$500 per person per day, which includes all seminar materials and full catering!

To book your seat or find out more information, just call the office on 1800 660 630. This offer is limited to the available remaining seats so don't delay!

The Sixth Rule Of Property Investing Success

This month I'm pleased to outline my sixth rule of property investing success.

Your Notes

But before I do, here's a quick recap of the first five rules (you can access the backissue where the rule was explained by clicking the link).

Law #1 - Choose Your Investing Yardstick
([see March 2002 edition](#))

Law #2 - What Has To Happen In Order For My Investment To Make Money?
([see April 2002 edition](#))

Law #3 - Invest In Your Area of Expertise
([see May 2002 edition](#))

Law #4 - Know Where You Stand In The Profit Pecking Order
([see June 2002 edition](#))

Law #5 - Appreciate Your True Cost and Your Nett Sale Proceeds
([see July 2002 edition](#))

And now for my sixth rule of property investing success...

**The Sixth Law Of Property Investing Success:
Understand The Difference Between Fact And Opinion**

You've probably heard it said that a fool and his/her money are soon parted.

Well in the world of property investing this occurs everyday of the week when investors confuse a fact for an opinion.

Facts are pieces of information that are indisputable. If needed, a fact can be supported by independent statistical or other written documentation. For example, yesterday's maximum temperature in Mackay was 25.01 degrees. This can then be supported independent data from the Bureau of Meteorology.

Opinions on the other hand, while still useful, are nevertheless a poorer quality of information because they are unable to be substantiated and amount to little more than speculation or perhaps a 'best guess'.

Your Notes

For something to be a fact it must be a past event. But interpretations of past events and predictions about future events are firmly in the realm of opinions.

For example, if yesterday's temperature in Mackay was 25.01 degrees I might say that it was hot, because coming from Melbourne where it's winter, 25.01 degrees sounds like paradise.

Your Notes

But for a local, 25.01 degrees might be mild.

The fact is the weather was 25.01 degrees, but the opinion is in the interpretation.

And what about the forecast for tomorrow? Who knows?

Now as a property investor you will need to be interested in facts and opinions. But it's critical that you avoid confusing opinions as facts - because if you rely on an opinion then you are at risk of making an investing decision on a best guess.

In investing, the better the quality of information at your disposal, then the better your investing decision will be, and more certain you can be of achieving your desired outcome.

Distinguishing Fact From Opinion

Let's say that you find a property which the agent tells you would attract a rent of \$150 per week. Would this claim be fact or opinion?

At first glance it is an opinion, unless the property was currently rented and you could see the lease and establish that the rent is also collected, in which case it would be a fact.

If it is an opinion, then your job as an astute investor is to try and determine how reliable the information is.

If you are buying a property based on potential, then you are basing your buying decision on an opinion rather than a fact.

To protect yourself against believing opinion and thus paying too much for a property, or perhaps buying a property that you should have left for someone else, then you must always seek to distinguish fact from opinion.

In this case, in order to test how reliable the information was you could:

- Look at what similar rental properties are renting for by gathering rental lists from other agents
- Seek independent rental evaluations from other agents
- Ask local advisers such as accountants and lawyers
- Look a median rental figures for the area as published by the [Real Estate Institute of Australia](#)

Always seek to test the validity of an opinion by comparing it back to researched facts.

Also be on the look out for opinions presented on facts that pertain to different circumstances to what you are faced with.

For example, a technique that I've seen used to hoodwink unwary investors is when unscrupulous developers present 'capital gains' forecasts based on statistics for quarter acre blocks to sell inner city apartments.

Your Notes

Clearly this is not comparing similar properties, which makes the claim unreliable at best.

In summary, it's OK to seek other peoples' opinions when it comes to investing.

But you must always be on guard to distinguish between facts and opinions. If you are dealing with facts then be sure to check that you are comparing like data.

And if it's opinions you're seeking, then it pays to complete further research or you risk making an investing decision on shaky foundations.

Avoiding Rental Increases To Keep Good Tenants Happy...

Recently I received an e-mail that asked:

"When you say look after the tenant, not the property - are you saying it would more advantageous to lower the rent if the tenant is a good one?"

This is a good question and I thought that it would be a good idea to expand upon it in this newsletter.

I would never advocate charging below market rent. I believe that charging a cheap rent only serves to attract cheap tenants.

A better goal is to create a win-win outcome, which in investing terms means that you secure at least market rent and usually a lot more.

Your Notes

I have achieved this outcome by adopting a tenant focus - which means that I look to reward the tenant for meeting his/her obligations rather than looking to enforce the law if s/he doesn't pay.

Changing your focus is important because when you see the tenant as the asset then you understand that having a good tenant is more about developing a win-win *relationship* than it is about squeezing out every last cent.

For example, we have a great tenant in one of our investment properties. His initial two-year lease, which has a rent of \$155 per week, is now up for renewal.

We sought an opinion as to what would be a market rent for the property from our rental manager who advised \$165 per week.

Now some landlords might be apprehensive about adjusting the rent for fear of offending the tenant. However, provided you have a strong relationship where you have rewarded the tenant for his/her tenancy, as well as keeping the property well maintained, then a revised rental to reflect market movements is certainly reasonable.

But the secret to keeping the tenant happy is to offer him/her something in return that is completely unexpected.

The way we have built a sustainable win-win relationship with our tenants is to always promptly repair and maintain the property and to effectively treat and respect them as if they owned the property.

We also look to improve the property too. Not as we would necessarily like, but at the suggestion of the tenant. For example, upon signing the new lease we will approve the tenant's request and provide topsoil and lawn seed to re-grass the front yard.

This will cost about \$100, and while it was not an essential cost and we were not required to provide it, we will easily cover it from the additional rent.

We win with a higher rent and the tenant wins as he has a property that he can treat as a home rather than just a rental.

Your Notes

Regular increases in rent will do two things to your profitability:

1. Increase your cashflow return.

After rental management costs, an increase of just \$10 per week will add \$494 (or +2.67%) to our cashflow bottom line. On the numbers for this property our nett cash on cash return is now 31.95% per annum.

2. Increase the value of your property.

The 11 Second Solution $[(\text{weekly rent}/2)*1,000]$ is a rule of thumb

Your Notes

that provides a gross annual cashflow return of 10.4%. Applying this formula, every dollar of additional rent will increase the value of your property by \$500.

For example, the 11 Second Solution at \$155 rent per week is \$77,500. At \$165 per week it's \$82,500.

So a \$10 per week rental increase translates to an equivalent capital increase of \$5,000 for investors seeking a 10.4% return.... even higher for lower yielding properties.

This equity can be redrawn / refinanced to fund further property acquisitions.

In summary, if you don't raise your rents to market value (or above) then you are not benefiting from your investment in the best possible way.

Tenants should expect to pay at least market rent, or more, and will do so provided that you offer something in return. This may be in the form of a minor improvement, or some other incentive (I outline all my tactics for doing this at the [Australian Property Investing Masters Seminar](#)).

So to answer the question posed - I would certainly not recommend offering a below market rent to keep my tenants happy.

My strategy aims to always charge market rent, or above market rent, under a win-win outcome where my cashflow increases and the tenant feels that s/he has a relationship with a reasonable landlord who is working to provide a stable and well maintained property.

Summary

The Australian Property Masters event was a great success. The feedback received is a tremendous encouragement for all those attending the Sydney event; if you have booked your seat then you have secured the best value for money property investing training available anywhere in the world.

If you have not yet booked your place then there are a limited number of tickets still available at the discounted price of \$1,995 - which also allows you to bring a friend or partner for **free**.

This month I outlined my sixth law of property investing success, which was to always understand the difference between fact and

Your Notes

Your Notes

