PropertyInvesting.com 'Insider'

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

Issue 8, Volume 3 - August 2004

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31 August 2004

Hi and welcome to your August 2004 edition of *Insider* - the e-zine outlining ideas for how you can successfully invest in real estate - especially if you have a positive cashflow focus.

If this is the first time you're receiving this newsletter then I'd like to warmly welcome you to the PropertyInvesting.com community!

Remember that in addition to this free newsletter we also run a forum board where you can share your knowledge and leverage off other people's ideas.

Here's what's on offer in this month's *Insider*:

There's heaps to discuss, so let's get straight into it!

The MAP results are in

In February 2003, I announced that I was looking for a small group of people who were interested in participating in a pilot project I was running called the **Millionaire Apprentice Program (MAP)**.

The MAP was a pioneering course created to demonstrate that the right person in the right environment could create substantial long-term wealth in a short amount of time by investing in property as I had done.

To the 23 aspiring property protégés (8 couples and 7 individuals) I selected, I laid down a broad challenge: To acquire (at least) one million dollars worth of real estate in twelve months.

The figure of a million dollars was selected to provide a common target and direction for all of the MAP program participants (Mappers).

To someone living in Sydney (form example) where property is already highly priced, this goal may sound reasonably simple. But there were two additional rules that clarified the MAP challenge, and in doing so, ensured the goal was within the realms of possibility without being easily achievable. Those rules were;

- Principal places of residence do not count; and
- The property had to make money under a specific plan.

This meant the Mappers couldn't just rely on the market rising in value to make their profit. Instead they had to use their investing skill to create positive cashflow deals.

August 2004 marks one year since the MAP program began, and it's been an amazing learning journey, the results of which have been phenomenal.

In my second book (*1,000,000 in Property in One Year* - due for release late next month) I bring together the lessons learned on the road to acquiring a million dollar property portfolio, and how the Mappers went about it.

Without wanting to spoil the ending, 13 people (five couples and three individuals) remained when the program finished, and of those 13, 11 (four couples and three individuals) now control property portfolios worth in excess of one million dollars.

Of those who opted out, the major reason was a change in life circumstances or priorities. I believe that all those selected had (and continue to have) the potential for ongoing investing success, it's just that the program was not suited for everyone at that time.

MAP Success Story - Brett and Tiffany

In lieu of a forum post of the month, I thought, given we're talking about the MAP, this month is a great opportunity to briefly share one of the participants' success stories - Brett and Tiffany - who were introduced in April's Insider (link requires member login).

For the record, in the 12 months of the MAP, their results were:

Property acquired (at cost):	$1,531,350
Property acquired (at estimated current market value):	$2,121,500
Number of deals:	11

(Note: The full details of how Brett and Tiffany and other Mappers faired is outlined in my upcoming book.)

I admire Brett and Tiffany, not just for their impressive MAP results, but for the sacrifice they made to attend the monthly meetings given that they're intensely family oriented and loathed leaving their children with a nanny.

As a tiler and waterproofer, Brett's work was very physically demanding, and one of their goals was to develop an alternative source of passive income so Brett could retire by 2005.

Prior to the MAP, they had spent the previous two-and-a-half-years putting a 'toe in the investing water' so to speak, and came to the MAP understanding the importance of spending less than they earned.

The skill they lacked was the ability to successfully locate and crunch the numbers on deals which would give them an ongoing income. However, this is something which they quickly mastered.

In one of their more recent deals, they turned a house on a large block of land (which was showing a 10.7% yield) into a self-storage facility with a whopping 59.0% yield!

I asked the pair what they say to people who think that positive cashflow deals don't exist anymore, and they had this to say:

Brett: "Positive cashflow deals exist everywhere and all the time - it's just a matter of how investors, limited by their own abilities, can mould the deals they come across to potentially access their desired outcomes.

"We know that we can say this until we're blue in the face, but what Steve says about positive cashflow being made rather than bought is 100 per cent true. It's not until you listen, accept, and then understand this that you can start to see just how many deals are out there when you think differently. We now think much more laterally about our investments, both potential acquisitions and also our existing deals - we're constantly looking for ways to achieve higher cashflow returns."

Tiffany: "Our investing strategies have changed quite a lot from residential blocks, which were our focus just six months ago. We're now particularly on the lookout for good deals where we can add value to turn them into great deals.

"For example, we recently purchased a 1,000 square metre industrial block, which, despite already being positive cashflow, was well suited to producing even better returns as we planned to add a storage facility. There is a waiting period of 12 months in this area to access conventional self-contained sheds.

"We worked out a budget for building our own sheds, but this proved to be too expensive so Brett came up with the idea of placing shipping containers on the land and then, subject to council approval, leasing them as storage sheds. So, with only ten shipping containers to start with, and at a 92% occupancy rate, the return increased from 10.7% to 59.0%. There is also room for expansion as we can double the number of containers (up to 20), which we plan to do once the others are fully rented."

So by having a system for evaluating deals and looking for what opportunities exist to improve the returns which a property achieves, Brett and Tiffany were able to turn an OK deal into an outstanding one.

To repeat what Brett said: "Positive cashflow deals exist everywhere and all the time - it's just a matter of how investors, limited by their own abilities, can mould the deals they come across to potentially access their desired outcomes."

Congratulations to Tiffany, Brett and the rest of the Mappers on their phenomenal successes!

If you'd like to find out more about the Mappers, their successes and the lessons they learned, keep an eye out for my upcoming book *$1,000,000 in Property in One Year*, due for release in late September.

(One final point - at this stage I have no plans to run another MAP program. However, should this change, I'll be sure to let you know.)

The Good, the Bad and the Ugly of Property

One of the biggest lessons of the MAP was being able to properly evaluate the deals found to ensure that they were in fact everything they promised to be.

Another name for this pre-purchase evaluation is 'due diligence' - and in layman's terms, it means "to find out what's not obvious about a property at first glance".

For example two practical tips to remember when doing an informal property inspection are:

1. **Check the Meter Box:**

   Old style ceramic fuses may be an indication that the electrical wiring is old. That's not to say that it's faulty, however a fuse box that contains the latest Clipsal switch fuses provides extra peace of mind that a full or partial rewiring has been completed (ie - you should not be up for immediate expensive electrical fixes).

   Just on that... it pays to check that there are actually fuses in the Meter Box as you can't always assume that there will be.

2. **Check the Hot Water System (HWS):**

   A. Every HWS needs to have a compliance plate installed on it. It is usually a metal plate about twice the size of a normal business card.

One of the fields on the compliance plate is the date of manufacture... so if you want to know how old the unit is, then all you have to do is find and inspect the plate!

B. Also, pay attention to the location of the HWS relative to the house. Most older-style gas HWS are located outside. The point to note is that if the unit is situated on the 'weather side' of the property (i.e. the side of the house that cops the brunt of the weather) then expect it to wear out sooner. One sure way to tell is to look for signs of rust.

If you'd like to know more about due diligence, including the 5 comprehensive, yet convenient, templates that I use when evaluating properties, then I recommend a resource I've created called Buyer Beware.

"Buyer Beware is a good source of information. I tried to implement my own template over the last 2 years, but never managed to quite finish the job. Now I'm finally able to say to myself that the templates are done, which means I can get on with the job of investing to make money." - C. Kev

Buyer Beware is very fairly priced at just **$99.95** (plus P&H) - which, when you look at it, is less than $20 per template. This is actually very cheap when you consider you might save many thousands of dollars if you uncover a major problem prior to buying.

It's pertinent that I advise that the price of Buyer Beware will be rising soon. At this stage, we have about 2 weeks supply left, but, given this newsletter is going to over 30,000 people, I suggest you order quickly to buy at the current price.

For more information, or to place your order, visit the Buyer Beware page.

Remember, when it comes to property it's what you don't know that normally causes the biggest financial losses. As such, the less you leave to chance, the better informed your investment decision must be.

Summary

This month saw the end of the MAP. For many it was a life-changing event and you'll be able to read all about it in my upcoming book *$1,000,000 in Property in One Year* which is due for release in late September.

One of the chapters you'll read was contributed by Brett and Tiffany, who go into much more detail about the highs and lows of their MAP experiences.

Also mentioned were two quick tips to help you make a better informed investment decision. If you'd like more information about property inspections and the due diligence process I use, then Buyer Beware is an excellent resource.

I think that about covers things for this August 2004 edition of *Insider*. I sincerely hope that you've been able to benefit from the information outlined in this resource. Until next month remember... *success comes from doing things differently!*

Sincerely,

Steve McKnight

P.S. Shortly I'll be sending out your personal invitation to attend an upcoming book launch. *Look out for my e-mail in the next week or so.*

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