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PropertyInvesting.com 'Insider'

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

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By **Steve McKnight**

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Hi,

I'm shocked and amazed! If you'd told me six months ago that the property market would be as hot as it is at the moment then I simply wouldn't have believed you! It's almost getting to the stage where you need to plaster yourself in zinc cream before heading off to an auction!

It's weird though. The boom isn't happening across all areas, nor is it affecting all types of property. It's like a select group of starving buyers have emerged that will devour and pay top dollar for certain kinds of property.

In a short while I'll share with you my amazing encounter with two auctions last weekend as I explain what types of property are hottest at the moment. However before I do, I'd first like to announce some extremely exciting news for sophisticated investors looking for advanced property training:

ATTENTION SOPHISTICATED PROPERTY INVESTORS!

For the first time **EVER** I'm running an **ADVANCED 2-Day Property Investing Workshop** to be held in Sydney (21st and 22nd July) and Melbourne (15th and 16th September). This special event is tailored to investors who own 3 or more properties and will outline advanced investing principles and topics, some of which I've never discussed in public before.

Topics include:

- How to view, analyse and buy commercial property like a seasoned pro
- Advanced cashflow techniques, including vendor finance and lease options, including instruction on how to use them in the current market
- Discover how tap into unlimited money with a comprehensive outline of how to attract, use and manage money and joint venture partners
- Previously untaught advanced deal evaluation techniques that will open your eyes to the true potential of a deals. Watch as I evaluate your deals live on stage.
- A full and comprehensive analysis of overseas investing, including my list of 16 Do's and Don'ts that could be the difference between success and failure.
- Discover how you can use debt, equity and savings like an expert to unlock channels to will allow you to own a property portfolio of 10, 20, 30+ deals.
- And much more, including topics I've never discussed at events before.

In addition to these important topics, I'm very excited to offer eight half-hour super-sessions where I'll review and critique a chosen participant's property portfolio. This is your exclusive chance to have me work one-on-one with you and brainstorm solutions to your current investing problems.

This is an intimate event, and as such, I'm only looking for a maximum of 100 people to receive my advanced training.

Note: My advanced training really is that - advanced! It's not for beginners. To attend you must be familiar with property investing and, ideally, have an existing portfolio of at least 3 deals. The information is practical and hits top-gear from the moment I start.

Are you interested incoming? Will you be one of the 100 I train? One of the eight people who receive 30 minutes of one-to-one help from me on stage? If the answer is 'yes' to any of these then keep a keen watch on your in-box. At 2:30pm this Thursday I'll be sending out the full details of the event including, what, when, where and how much.

SPECIAL PRE-REGISTRATION DISCOUNT:

In preparation for the email this Thursday, I'm allowing up to 50 people to pre-register their interest (for each event) and jump to the front of the queue.

Pre-registration is free, without obligation and yet will unlock the following benefits:

1. Early notification

I'll send you the email at 11:30am (rather than 2pm). This really will put you at the front of the queue as you'll have several hours head start on the pack.

2. Fabulous Discount

Pre-registers will pay \$200 less than the general public.

It's easy to gain the pre-registration advantage. All you need to do is go to <http://www.propertyinvesting.com/go/190> and leave your details.

Remember - you are only expressing an interest, not making a commitment. However, this offer is only for the first 50 people to register for either the Sydney or Melbourne event.

There's nothing to lose here, so I suggest pre-registering now at <http://www.propertyinvesting.com/go/190>

Right, with the exciting news behind us, let's now turn our attention to the property market and examine:

- The current 'strange' property boom; and
- My four X-FACTORS that can turn an ordinary offers into a sizzling sales propositions.

It's a bumper edition of Insider, so let's jump right in.

Tick, Tick, Tick... BOOM!

I can't understand why it's not getting more press, but there's no mistaking that select property pockets around the country are experiencing a boom that exceeds the wild party days of the early 2000's. For instance, I attended two auctions over the weekend for middle-market properties where the results exceeded anyone

vendor's widest imaginations.

And although the examples below come from Melbourne, the property price hike isn't a phenomenon limited to cold-weather lovers. The Adelaide property market is bursting at the seams, parts of Sydney are making a superman-like comeback, certain suburbs of Bris-Vegas are back up in bright lights, and Perth property is a long way from dead and buried.

But, back to those auctions...

The first one I attended was in Box Hill South. I packed up the kids, hopped in the people-mover and headed off to an oldish 2 bedroom brick house on a nice sized block of land.

It was appealing to two target markets. The first was homebuyers who were willing to renovate, and the second was property developers who would bowl the house over, subdivide and build back two new townhouses. The advertised price was \$450k+, so you'd reasonably expect high 400k's or low \$500k's.

Despite it being cold, a large crowd turned up and there was spirited bidding before the auctioneer sold it for - wait for it - \$640k.

The second auction was in Blackburn South. The property was a standard 3 bedroom weatherboard house on a corner block. Normally corner blocks are seeing as appealing because of their development potential, but in this case this would be limited due to the positioning of the house on the block.

The property would have made a great first home, but not much of an investment property given there was little opportunity to value add. Inside it was well presented for auction, but nothing super special.

Although not interested in it as a potential investment, I still attended as I live in the area and wanted to gauge how strong the buyer demand was.

Given the property was advertised at \$410k+, you would expect it to sell for mid \$400k's. Again, quite a crowd turned up, and many of them were young couples. After some spirited bidding the eventual winners were a young couple who paid \$526k which was well and truly over the vendor's reserve.

Is this a case of classic agent underquoting? Maybe, but eventual sales prices of 42% and 29% above the quoted sales range represent a strength returning to the property market that simply must make the RBA stand up and take notice.

These are not isolated cases. The week before I went to an auction where the price was advertised at \$610k+ and sold for \$805k. Houses for private sale are also effected. I tried to buy a house that was for sale at \$695k, only to be trumped by someone wanting to pay \$720k.

Everyone is wondering 'how long can the good times last?' Well, unless there is a change to the property market in the form of interest rate rises (which are unlikely as I outlined last month), it's likely that the property market will continue to steam ahead at least until after November's election.

But be warned. There's a real risk that the party could come to an abrupt halt if, after the political heat dissipates, the RBA jumps on interest rates. It may sound alarmist, but if the RBA wants to quash the heat it may raise interest rates by perhaps one or event two percentage points?

If you don't think this is a possibility then take a look across the pond to what is happening in NZ. Interest rates there have risen by .025% for the past three months. Their cash rate is now at 8%, which means that housing interest rates are knocking at the door of 10%.

This said, if we separate fact from opinion then all we can say is that the real estate market is currently hot, particularly for 'the right' kind of property - which are homes that attract buyers who have money to spend. Typically this is where buyers are trading up from their existing dwelling or else well-heeled buyers from interstate or more likely overseas.

That is, those in the middle to upper market segments. I recommend staying clear of the cheaper stuff as prices are less primed to accelerate quickly in due to affordability constraints.

How's the market in your area? If you can, take a few minutes to make a post about what's happening to real estate prices where you live at:

<http://www.propertyinvesting.com/forums/property-investing/general-property/4321165>

Turning Offers Into Sizzling Sales Suggestions

Unsophisticated investors run the risk of being swept up in the madness and mayhem of a booming property market. Instead of being careful and cautious, they are more likely to want to jump in rather than miss out.

While homebuyers with timeframes of several years can get away with this, investors who have a profit rather than a home motive can't.

You don't need to act in a crazy manner to participate in a crazy property market!

Yes, it's true that you'll need to interact with the mayhem, but it's essential that you avoid being caught up in the hype. This requires that you know and stick to your price, and have a realistic plan for making a profit that does not involve speculating that house prices will continue to rise like a runaway freight train.

That said, if you plan to purchase real estate, then sooner or later you'll need to make and submit an offer. In some cases you'll be required to sign a contract, while in other circumstances a written or verbal offer will do.

With that in mind, here are my four X-FACTORS that can turn an ordinary offer into a sizzling sales proposition:

1. Lose the Battle To Win the War

It's normal that your price and/or terms will be different to the price/ terms that the vendor is hoping for and willing to accept.

This being the case, in order to get the deal across the line you'll need to enter into some form of negotiation. Many people find this daunting, especially since it involves communicating with real estate agents who are usually loathed rather than loved.

You need to bite your lip and get on with the job though. Remember that the key to good negotiation is to sacrifice something that you don't greatly value in return for receiving something that you do.

Practically, this means giving something on either price or terms in order to dress up the offer and make it attractive to the vendor.

In 'offering something up', the ideal situation is to find out the vendor's reason for selling, and then tailor your incentive to meet that need.

For example, I made an offer on a property last week where I couldn't afford to go higher price, but I could allow the vendor the opportunity to stay in the property for an extended period (six months or more) rent free. I came up with this option after discovering that she was anxious about a delay in the property she was moving into due to a hold up in the final building process.

Not all vendors will be flexible or willing to negotiate though. If you can't make the deal work at your price then don't be afraid to walk away. You don't have to buy, and there are always new opportunities coming on to the market each week.

2. Get Out Clauses

Although most states have built-in cooling off periods that will allow you to pull out of a privately negotiated property contract in some circumstances, it's usually wise to include at least one 'get out' clause in your offer.

This is particularly so because I take the view that, in a hot property market, you're better off tying up the sale by signing a contract and then working on the finer points of your due diligence during the 'get out' period, than you are stuffing around while you make up your mind, only to have someone else steal the deal from under your nose.

For example, I'm happy to agree on a price and terms and then sign a contract if I can include a clause that allows me a specified number of days to complete my research and crunch the numbers over the property to my satisfaction.

Commonly used 'get out' clauses include: finance, pest and building inspection, seeing the property, legal opinion, planning approval etc. If you aren't used to the correct wording make sure you consult with your solicitor.

It's natural to be a little scared when you sign a contract to purchase property. If you don't know what you're doing then seek expert advice, but once you're familiar with how it all works then don't be afraid to sign a contract provided you have a watertight get-out clause.

3. Sunset Clause

If you want to turn the tables on the vendor and create some urgency in deciding whether or not to accept your offer, then include a sunset clause.

In most cases this is a simple statement inserted into the contract that's worded along the lines of:

"Unless otherwise advised, this offer lapses at *time* on *date*."

A sunset clause is a regular inclusion in all my offers. Not only does it cause the vendor to make a decision by a specified time and date, it also allows me to have a large number of offers out in the wild without them being open-ended.

4. Big Deposit Cheque

If you want to entice the vendor to accept your offer then a good tactic is to provide a signed unconditional contract with a fat, juicy deposit.

Naturally, without any 'get out' clauses you run a huge risk that you'll buy a dud, but if you're sure you've found a great deal and don't need the extra time to dot the I's and cross the T's, then proceeding along these lines can yield a good result.

This approach is not for the new or naive though. Unless you know what you're doing it's like playing Russian roulette with your money. Clearly that's dumb.

Gavin, I hope you find these suggestions helpful. They've worked wonders for me. If you'd like more help with the due diligence process associated with buying an investment property then I recommend BuyerBeware - a handy resource that includes the templates I work through before buying an investment property.

That brings us to an end to this edition of Insider. But before I go, here's your homework for this month:

1. You have nothing to lose by pre-registering for my upcoming 2-day advanced property investing workshop. You can do this now at: <http://www.propertyinvesting.com/go/190>
2. Select two properties you're interested in. Once done, walk into the relevant real estate agent's office and ask for a copy of the contract. Read through it with the aim of becoming familiar with the wording, clauses and disclosures. This will be good preparation when you find a deal you are keen on.
3. Take the time to attend at least three auctions in the month ahead. Before you go, research what you think the property will sell for, and then when you attend, watch the bidding behaviour of the buyers. This will give you a good insight into what prices may do in the near future.

That's it for now. Remember that success comes from doing things differently.

Warm regards,

Steve McKnight

P.S. If you want to jump the queue on my advanced seminar then don't forget to pre-register at: <http://www.propertyinvesting.com/go/190> You'll also receive a \$200 discount.

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