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PropertyInvesting.com 'Insider'

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

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Hi and welcome to your March edition of Insider. Here are the topics on offer this month:

- Final Warning: The Property Market is Changing!
- Revealed! 18 Key Real Estate Insights that could save you thousands.

As always, there's lots to discuss so let's get started!

Final Warning: The Property Market is Changing!

A fundamental truth about property investing is that you have to understand the nature of the market in order consistently make profits from it. I say 'consistently' because during the recent boom you didn't need a whole lot of skill to make some handsome profits as just about all property substantially increased in value.

However, over the past several newsletters I've been including indirect warnings to PropertyInvesting.com members about the changing nature of the real estate market.

The property market is cyclical, meaning that it naturally goes through phases of growth, stability (i.e. flat prices) and decline. My concern is that investors continue to hope that the market will soon return to its growth phase, however this is unlikely given the current market conditions.

Investor tip: Let the market dictate your investing strategy rather than starting with a strategy and trying to apply it to the market

Again, my concern is that investors continue to use a strategy that worked well enough during the boom phase, but may be ineffective during the flat and/or decline phases of the property cycle.

Changing Nature of Opportunity

In Part III of my latest book ('\$1,000,000 in Property in One Year'), I outlined that the two drivers of the property market were:

- A. Economic fundamentals (such as interest rates, incomes, government incentives etc.), and
- B. Sentiment (the interplay of the powerful emotions of greed and fear)

This theory may sound straightforward enough, however, as discussed in my last newsletter, sentiment is by far the more influential factor.

For example, the latest hike in home loan interest rates has had little impact at the moment because it takes time for consumer sentiment to acknowledge that things are indeed different.

Unlike the stockmarket, which can alter direction in a matter of minutes or even seconds, the property market moves at a much slower change of pace. It took many months for the boom to take hold, it took many months for the boom sentiment to wane, and it will take many months for a decline (or otherwise) sentiment to take affect.

The situation we find ourselves in today is that the momentum of the property market has changed dramatically from even one year ago, yet not all participants in the market have changed their strategy to take into account the new direction - particularly those hoping that the next boom cycle will be just around the

corner.

What can we say about the property market then - have all the opportunities now evaporated? Definitely not! There is still plenty of opportunity in the property market, however its nature has changed away from long term buy and hold to more value add strategies.

Applying the discussion to your circumstances, if you're using a buy and hold strategy on the basis that your profits will be derived from the property market returning to the boom times of a few years ago then you're making a fundamental error of judgement because you're investing for a market that doesn't exist at the moment.

Critical rule of real estate: Never turn your back on the market

This is a key difference between speculators and investors... speculators invest for how the market might be in the future whereas investors make their decisions based on the market as it is now.

Earlier today I took a phone call from a friend who had been approached from an organisation he used to work for to buy a commercial property and then lease it back to them. He was offered a 8% return and was told the property had excellent prospects for great capital growth. My reply was to renegotiate on the basis of a 10% yield and then offer 20% of any capital gains made during the lease period.

Do you see the difference between the investor who makes the profit now versus the speculator who buys on the promise of a possible profit tomorrow?

Given the recent unheralded price boom, it is not unreasonable to have a period of 7 to 10 years of flat property values prices while affordability catches up and sentiment changes again. This is a long time to hold loss making or marginal real estate. Have you been listening to the property market, or ignoring it?

The Changing Nature of Interest Rates

Taking a look at Reserve Bank of Australia (RBA) data, it seems accurate to say that interest rates, as well as property, are cyclical in nature.

Between 1990 to 1993, in the midst of a deep recession, the RBA cash rate went from 17% to 4.5%. We then enjoyed a period of stable low interest rates from 1993 to 2002.

Today, interest rates have begun a new upwards cycle coming off their low of 4.2% in 2001 to 5.5% at the moment. However, to confirm this new trend, the RBA cash rate will need to rise above 6.5%, which was the previous top in August 2000 prior to a retreat. For interest sake, my rough numbers suggest that should home loan interest rates reach the 9% mark then we'll see a significant shift in sentiment and a swift decline in property prices.

There's no point arguing with the RBA data as it is what it is. All an investor can do is absorb this new information and alter his or her investing approach accordingly.

Applying the sentence above, it would make sense to evaluate your real estate portfolio on the basis that interest rates were (say) 2% higher. If, at this higher rate, it is no longer affordable for you to own the property then perhaps you should consider selling it in today's lower interest rate market where it will be easier to sell compared with down the track when rates are higher.

Having said that, no one knows what will happen to interest rates - they may go higher or lower. However, in to my own investing I'm assuming that rates will continue to increase over the medium term and have been selling poorer performing property that would become a liability with higher interest costs.

In summary then, it is very important not to invest on the basis that the real estate market will soon change back to the way it was during the recent boom. Property prices are now set on a new path, and given the cyclical nature of real estate and interest rates, we have some time to pass before the next growth phase.

If you've enjoyed this discussion then I strongly recommend you pick up my latest book. You can order it from <http://www.propertyinvesting.com/sima/click.php?id=58>

Revealed! 18 Key Real Estate Insights that Could Save you Thousands

The feedback we're receiving here at PropertyInvesting.com is that members would dearly love an affordable

property investing workshop that reaffirms the essential fundamentals of buying profitable real estate.

Well, this being the case, I'm pleased to announce a special training opportunity to be held in Melbourne on Sunday the 19th of June 2005. I'm calling it the 'Property Profits Power Workshop', and over the course of six comprehensive hours I'll be sharing the 18 key insights that I bring to my own successful property investing.

Note: the information in this seminar is very different to what I cover in the Property MasterClass and is designed to be a practical analysis of how to buy and evaluate profitable real estate.

Some of the topics planned for discussion include:

- **Lemon Alert! How to tell a sound property from one that is a dud in disguise**
Step-by-step techniques every investor should utilise in order to uncover the truth about whether you're buying a great deal, or are getting stuck with someone else's junk.
- **The simple buying rule that must be applied to every property you purchase... ignore it at your own peril!**
Every time I buy a property I apply this simple rule to ensure that I keep my whits about me. During the event, I'll reveal the exact system I use to buy real estate so you can replicate it immediately.
- **A simple, five-minute technique for negotiating thousands off your next deal's purchase price.**
In the past I have used this simple negotiation technique and saved thousands, sometimes even tens of thousands, off the asking price of investment property I have been analysing. As I share with you what to say, and how to say it, you'll be astounded at its simplicity and how it can potentially unlock hidden savings on not just property but everything you buy - even your next pair of shoes!
- **How to write and submit an offer which has the best chance of success.**
You'll discover why low-balling is perhaps the worst mistake you can make when submitting an offer, and how it can end up costing you more in the long run.
- **Nine tips you can use to increase your chances of getting the banks to approve your loan.**
Having borrowed millions of dollars over the past few years I have learned a thing or two about credit applications. I'll share with you the critical success and critical failure factors when the bank assesses your credit application. If you're currently maxed out or else are finding it difficult to increase your borrowings then this will be a very valuable session!
- **The effective way to use your home equity to get started in real estate.**
Don't even think about gambling with your home equity until you know how to weigh up the risks and rewards!
- **New!!! Detailed 30 Point Checklist for Success!**
A full 30 point checklist that you can work through after the event to ensure your property investing has the highest chance of success.
- **And much much more**

The industry rate for a day's worth of professional training (which is what I'm offering here) starts at \$500 and goes upwards from there.

However, I've taken this benchmark and then heavily discounted it to make this event affordable for as many people as possible. That's why the base price is just \$299 per ticket.

However, for the first 100 members who take action and book their place, I'm willing to discount a further 50% so, rather incredibly, if you're quick then you can attend this structured real estate education event for just \$149 (GST inc.)

This is a fantastic opportunity for everyone wanting to make a start or increase the profitability of their investing but who isn't blessed with a self-paying credit card!

In fact, given that the price is so cheap you may be a little suspicious that this event might just be a hard sell to a more expensive seminar. However, I guarantee that this is not the case. What's on offer here is a comprehensive 6-hour workshop that has the power to dramatically improve your investing ability.

Unfortunately, due to a hectic second half of the year, this event will only be offered in Melbourne, but at the low price and given cheapish airfares for advance bookings, interstate investors should still find attending to be very affordable.

Due to the limited nature of the earlybird seats, I recommend that you book your place as soon as possible as I expect the event to be sold out quickly considering the low price. You can book by going to <http://www.propertyinvesting.com/sima/click.php?id=57> or else by calling 1800 660 630 (\$10 phone booking fee applies).

If you have any questions or queries then please email Bernadette at seminars@propertyinvesting.com

Note: The refund policy for this event is outlined at <http://www.propertyinvesting.com/sima/click.php?id=57>

Summary

This month I have deliberately talked about the changing nature of the property market as I fear that many so-called investors are still buying property thinking that the boom times will soon return. Holding this belief may seem reasonable, but it is not in line with the cyclical nature of the property market. It's as simple as saying that the conditions that fuelled the boom of the late 1990's no longer exist and as such it is erroneous to invest as if they were!

Please hear this message - you have a limited time to evaluate your property portfolio and consider trimming the poorer performers as it may be many years until prices rise sharply again, and in the meantime you may have to fund underperforming loss making real estate.

Also, don't forget about the upcoming Property Profits Power Workshop. I'm making this available after many requests for an affordable no-hype seminar that will equip you to make better investment decisions. I'm expecting the Earlybird seats will be snapped up quickly, so I encourage you to order as soon as possible by visiting <http://www.propertyinvesting.com/sima/click.php?id=57> or else calling 1800 660 630.

Well, that's it for this edition of Insider. I sincerely hope you've been able to profit from the insights outlined in this resource. Until next month remember - success comes from doing things differently!

Sincerely,

Steve McKnight

P.S. Remember that the earlybird offer is limited to the first 100 seats. Book your place quickly or risk missing out

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