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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,

Welcome to another information-packed edition of Insider. This month we'll look at:

- [Revealed: 10 Must-Follow Tips When Weighing Up Whether To Sell Your Property](#)
- [Discover 3 Great Strategies You Can Use To Build Equity Fast](#)

### **The Property Market Is Tight - Is It Time To Sell?**

Earlier this month Channel Nine's Sunday program ran a story titled 'Safe As Houses'. In it, several industry authorities discussed their thoughts on the immediate future of the property market, and in particular residential homes.

Without a doubt, the headline grabber was John Symond - the boss of Aussie Home Loans. Symond's fortune has risen on the back of a combination of clever marketing and a huge jump in the mortgage market which in turn was fuelled by the property boom and finance industry restructuring.

Aussie Home Loan's target market is typical Mum's and Dad's, and the organisation pitched itself well with the catchy slogan of "At Aussie, we'll save you!"

Aussie John's assessment of the current property market isn't very flattering though:

"Blind Freddy can see that the housing market is coming off and will continue to come off, and anyone that thinks that this softening of the real estate market is about to turn around quickly, I think they're in for a shock because this gradual decline, I believe, will go for several years."

In some ways, Mr. Symond is, at least anecdotally, correct given the majority of people on the street feel that real estate is on the slide when compared to the roaring optimism of the boom times.

Yes, Blind Freddy ought to have seen the decline coming. Certainly, the writing has been on the wall since about October 2003 when the property worm turned as a result of impending interest rate hikes and uncertainty.

What does this mean for investors though? Symond's has an extreme view:

"If I'm an investor, I would be selling as soon as I can."

Whoa! That's a pretty simplistic and potentially dangerous statement. I think it's a huge over-simplification to assume that all property values will decrease, and therefore, that all investors should sell.

The fatal flaw in Symond's logic is that if all investors follow his advice and sell, then who's doing the buying? His comment then becomes a self-fulfilling prophecy - the more people who sell, then the more prices will fall, which in turn will prompt more people to sell... and so it goes on.

I'm not against selling, I just think that the decision needs to be properly thought through rather than making a knee-jerk reaction to one person's highly publicised opinion. As such, here are 10 guidelines and tips to consider when it comes to selling:

#### **1. Work Out Your Minimum Sales Price**

The price you want and the price you receive are likely to be two different amounts, with the latter being lower than the former. Accordingly, when setting a sales price, you need to weigh up your need for a quick sale with your desire to obtain a good price.

As far as a minimum price is concerned, work out the lowest possible price that, after all costs are deducted, means you will fully repay your mortgage. If the likely price is below that figure then you will need to consider taking a loss. Losses are bitter pills to swallow, but sometimes you need to take a step back to take a step forward.

## **2. Selling Takes Time And Costs Money**

It's not cheap to sell a property. Most agents charge a commission of around 2.5% (+GST) of the sales price, and then there are all those extra hidden costs such as advertising, creation of a sign out the front, etc.

If you are selling a \$500,000 property then you are probably going to drop upwards of \$15,000 by the time the sale is completed. That's quite a hit.

Furthermore, despite what agents will tell you about having interested buyers queuing at their door, it's taking around 45 days to sell a piece of real estate at the moment, and then you need to add on a further (at least) 30 days for the settlement period.

You need to be aware of when your cash will come in, and understanding that if you sold the property today, then it will probably be late February 2006, at the earliest, before you'd see your money.

## **3. Sell If You Want To Lock In Your Gain**

Selling is a good option for investors who want to lock in their gains and step out of an uncertain market. Should John Symond be correct and property values remain flat for several years, then perhaps there are better investment opportunities that will provide a higher return for less risk.

Remember that investors maximise their returns rather than just make a profit. Furthermore, greed can be dangerous, which is why it is wise to recall that no one ever went broke taking a profit.

## **4. Consider The Tax Impact Of Selling**

Selling a property investment will trigger the potential payment of capital gains tax. This may be quite a sum of money, and in some cases can be a significant cash drain (especially if you have highly borrowed against the property and most of the sale funds will go to repaying debt).

It would be wise to see your accountant to discuss the tax and financial consequences prior to making your final decision about whether to keep or sell.

(Note: You should never pay more than 30% income tax on your profits. If this is news to you then I'd strongly consider buying WealthGuardian. See: <<http://www.propertyinvesting.com/resources/11.html>>)

## **5. Sell If You Want To Reduce Your Debt**

Selling is a great way to reduce your debt exposure. If you borrowed to the max to buy property in the boom times, then that strategy is quite dangerous now that the market is flat. Given that, in the short term, growth is no longer assured, the cashflow cost of high interest will continue to hurt your hip pocket.

Enjoying this article? You can read the remaining 5 tips by going to <url>

### **Call To Action!!**

- Spend five or so minutes reading the full transcript of the interview for yourself at: <[http://sunday.ninemsn.com.au/sunday/cover\\_stories/transcript\\_1904.asp](http://sunday.ninemsn.com.au/sunday/cover_stories/transcript_1904.asp)>
- The best time to sell is when you want to. The worst time to sell is when you have to. Devise a profit plan for each of your properties identifying the minimum annual return required, and also the minimum price you would need to achieve if the property was sold and you wanted to clear your debt and make a suitable profit.
- Work through the ten points above. If it's time to sell then don't go with the agent who promises you the highest price, go with the agent who you think will do the best job to attract a buyer.
- If you want to discuss this topic in more detail then visit the forum thread at <<http://www.propertyinvesting.com/forum/topic/21119.html>>

### Discover 3 Great Strategies You Can Use To Build Equity Fast

Martin Ayles is a professional property developer from South Australia. Over the past eight years he has purchased / developed more than 150 properties, from little cheapies all the way up to dwellings that Adelaide's elite would be proud to call home.

I regard Martin as a very trustworthy and experienced authority when it comes to renovating and developing, and am delighted that he has allowed me to include three practical and powerful handy hints that he regularly uses to build wealth fast.

From Martin Ayles...

#### **Martin's Handy Hint #1: Be Fair!**

Too many people are far too greedy when it comes to making money. It seems they're always out there trying to hit a home run and make maximum profit for minimum effort.

Really, that's a formula for disaster - not success.

In my developing I apply my 'fair price' theory, which means that I

1. Pay a fair price when I buy the property. Applying the thumb screws on a vendor isn't very smart. It's better to offer a fair price so that everyone wins. What's a fair price? Well, that depends on how much profit is in the deal for me (I will have a maximum price that I can pay), and also how much the vendor needs to be happy.
2. When renovating or developing the property, I always pay a fair price to my subcontractors. You pay for the result you end up with which is why I don't expect quality from dirt cheap contractors. I know that to end up with a fair outcome I need to pay a fair price to the people that do the work for me. I can't see the sense in short-changing the eventual seller with shoddy workmanship given that it ultimately reflects poorly on my, and my sale agent's, integrity.
3. I sell the property for a fair price and/or charge a fair rent. Because I paid a fair price when I bought, and paid a fair price when I added value, I don't need to sell for top dollar - I just need to sell for a fair price. This allows me to sell my property in a market where an over-priced property may sit there for weeks or months.
4. I make a fair profit. I like to make my profit in a consistent and methodical way. The industry is full of speculators that live and die by the luck of the market. My survival depends on my skill in putting the deal together, not on whether there's a boom or a bust.
5. As an idea of a fair price, for every dollar I contribute to a project, I want my payback to be around \$1.10+. Applying this ratio means that my return is always approximately 10%, or greater. If I can't get my required return then I'll find another way to do the project, or else I won't proceed.

#### **Martin's Handy Hint #2: Right Product, Right Price**

When I develop or renovate, I don't spend a lot of time reading designing books or studying architecture. To me, it's all a matter of providing the right (housing) product at the right price.

Therefore, when I do my research I look at the types of houses already in the area and tailor my design accordingly. Naturally, upper market suburbs demand more exclusive housing which is more expensive to build, but then again my 'right price' is higher too.

Depending on the right design for the area, I'll then work out how much it is going to cost me to build, add that to my land cost, and then deduct the total of the two from the sales price. The result is my fair profit!

Developers who have the wrong product or the wrong price risk having their property sit on the market for long periods of time. That'll just end up costing money.

If you're thinking about selling, then make sure your advertising paints it as the right product (for your market) at the right price.

#### **Martin's Handy Hint: #3: Don't Put The Hot Water Service In Until Settlement**

Okay - here's a very specific hint for you that I've learned the very hard way (that is, it's cost me money). When building, don't connect up the hot water system until the day of settlement. Why? Because a few months back I had several systems knocked off in the middle of the night which cost about \$10,000 to replace. Now days, I just get the plumber in on the morning of settlement to run through and put in all the tap fittings,

plus hook up the hot water system.

While this isn't strictly about building equity, every \$1 dollar saved is a \$1.10+ earned (grin).

I hope that you've enjoyed these three handy hints. Naturally, I have literally hundreds of tips and rules that I follow when renovating and developing, and I look forward to sharing more of them with you at my upcoming one-day workshop.

### **Martin's One Day 'Building Equity Fast' Workshop**

Having seen Martin's developing projects first-hand, I hold Martin in very high regard; he's a true expert on building equity fast. Happily, Martin has agreed to share his tips and insights in a full one-day workshop where he will present to you his comprehensive 15-page development checklist that he uses to successfully mastermind all his developments from start to finish.

This checklist is worth its weight in platinum as it's cost Martin a fortune to pioneer, given it's been forged on the back of his mistakes over the past eight years. Why would you want to experience those same expensive errors when you can get the inside scoop on how to avoid them?

Imagine how valuable this template could be for you! It would be like receiving the answers before sitting for the exam - how profitable would such an opportunity be for you?

Best of all, Martin is willing to provide you with this valuable template as a free gift for attending his one day workshop.

In fact, you don't need to know anything about developing, or be a developer, to benefit from the workshop. As Martin will reveal, he gets paid to think and then pays everyone else to do the legwork for him. Provided you adopt this same approach, you too could soon be on your way to becoming a successful and profitable property developer.

Martin's one day 'Building Equity Fast' workshop will be held in Melbourne on 5th March 2006. Numbers will be strictly limited and already around 20% of tickets have been pre-allocated to R.E.S.U.L.T.S. mentoring participants. I have little doubt that the event will quickly sell out, so don't muck around with booking your place. Get in now.

As a taste of Martin's presenting style, I have created a short three minute video where Martin outlines a deal where he cost himself \$30,000. There's no sales pitch in the video - just Martin talking about the experience together with photos of the house in question. It is available for you to watch right now at <http://www.propertyinvesting.com/sima/click.php?id=87>.

If you paid \$995 to be at this event then it would be a bargain. However, so as there is no doubt left in your mind, that you're looking at a gift horse in the mouth, let's slash \$300 off that bargain price meaning tickets are just \$695 each, including GST and Martin's 15 page comprehensive development template.

As far as a money back guarantee is concerned, Martin has a very fair offer for you. How about the promise that you can stay ALL DAY and, if you don't think you got much more than your money's worth, then ask for and receive a full 100% refund? That's fair!

By way of a final word, this is NOT going to be one of those 'pump you up, set you loose' seminars. This is a 'how to', full of the nuts and bolts detail workshop that will run you through many topics including:

- **How you can take the planning approval guess work away by having the council to recommend how to get your deal across the line**
- Don't go broke - the simple way for you to reliably estimate both the building costs and likely timeframe
- **Gain maximum leverage - discover how to easily put together a win-win joint venture with a builder or other investor**
- Sell pain-free. Watch as Martin reveals his strategy for quickly turning over property, even in a down market
- **Build equity fast without needing to be a genius by using Martin's proven money-making techniques**
- And much more...

**Call To Action!!**

Don't miss out! Book your place at Martin's one day workshop now by going to:  
<<http://www.propertyinvesting.com/sima/click.php?id=87>>

**Final Words**

That brings us to the end of another month. With Christmas just around the corner we enter party / vacation mode. That's great, but keep your wits about you as you never know when the next great opportunity will land in your lap.

On behalf of the entire PropertyInvesting.com team, have a wonderful and safe Christmas, and, as always, remember that success comes from doing things differently.

Ho Ho Ho,

- Steve McKnight

P.S. Don't risk missing out on Martin's upcoming 'Building Equity Fast' seminar. Book your place now by going to <<http://www.propertyinvesting.com/sima/click.php?id=87>>

***Disclaimer: This newsletter is not intended to be a substitute for investment or accounting advice. It is a broad discussion to provide a general understanding. Before acting, you should seek specific advice for your unique situation.***

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