



Home >> Insider Newsletter >>

## PropertyInvesting.com 'Insider'

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

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Hi,

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

- [Steve's Quick Market Update](#)
- [Fantastic House Inspection Plumbing Tips... Part #2](#)
- [Forum Post Of The Month: What's A Good Return?](#)
- [Discover How To Become A Wealth Spy AND Save Over 50%!!](#)

### **Steve's Quick Market Update**

The latest CPI figures have just been released, and we're now at the top of the RBA's acceptable threshold for inflation.

This means that if inflation doesn't ease soon, then the RBA will be likely to raise interest rates. Therefore, if you're an investor who doesn't like nasty surprises, now's an appropriate time to start evaluating the impact on your portfolio of a +.25% increase in interest rates.

#### **What To DO**

- Start evaluating the impact of an increase in interest rates. If you are unsure about how to do this then consider buying Investment Detective <http://www.propertyinvesting.com/sima/click.php?id=84> as this software has very handy 'what-if' functionality.

### **Fantastic House Inspection Tips... Plumbing Insights Part #2**

Last month we began our 'Fantastic House Inspection Tips' series with a look at plumbing issues associated with getting water to and around the property. Let's move on with our discussion and take a look at how water is taken away from the house, and, in particular, problems that can arise from poor drainage.

### **Getting Water Out (and Away) From The House**

Properties, unlike rivers, don't have their own natural water supply. Instead, water must be piped into, and then away from the home. Importantly, this must be done in a way where there's minimal leaking or else serious (and expensive) damage may occur.

Specifically, because most houses are made out of wood and plaster, water leaks have a habit of facilitating rot, which is never something to be happy about because issues such as rising damp, mould, water stains, etc. can cost a small fortune to fix.

#### **WaterProofing**

'Waterproofing' is the act of treating something so that it repels water. As such, every place where water is carried or needed in the home (sinks, basins, shower, bath, laundry, taps, pipes, etc.) will need to be waterproofed. In most cases, waterproofing is a matter of properly sealing the area.

Products such as Teflon tape and silicon based sealants are often used in waterproofing, but it is also important to make sure that tile grouting is intact, as are rubber seals such as those found around sinks and, of course, tap washers.

When I inspect a property I pay careful attention to the condition of waterproofed areas and, in particular, do the following:

1. Try to lift some of the lino in bathroom(s) near the bath or shower to see if there is any rot in the floorboards caused by water leaks. You may also be able to spot this from under the house looking up at the floorboards.
2. Look for evidence of water stains in the walls where waterpipes are located. For example, inspect the wall outside the bathroom and look for discolouration in the paintwork.

#### **Condition of Wastewater Pipes**

I recently learned a valuable lesson in my own home when the water in the shower seemed to pool in the recess rather than happily flowing down the shower drain. That is, my shower was turning into a bath without any need of a plug!

When I called in my trusty plumber to have a look, he suggested that the flow had been impaired by a blockage in the old galvanised pipe that existed to take the water from the shower to the sewer pipe.

After dismantling the galvanised pipe, the plumber showed it to me and it was completely gunked up with hair and who knows what else. Interestingly, he used PVC pipe when connecting the system back up, and mentioned that plastic is less problematic than the old galvanised equivalent.

So, when I do a property inspection now I look at:

1. The type of material used for the waste pipes. You may need to get under the house to see. If the house is built on a concrete slab then the pipes will almost always be PVC.
2. What happens to the water flow when I turn the shower / bath taps on hard. The water should flow away without too many dramas.

#### **External Downpipes and Guttering**

It's easy to blow a few thousand dollars on guttering that needs replacing, yet this cost won't add a lot of extra value to the property, nor will it help you to increase the rent.

Accordingly, your building inspection needs to include a review of the condition of the gutters and downpipes.

An issue to look for is to check that the downpipes have been properly connected into the stormwater. I say this because my neighbour has just found out that his aren't, and it explains why the side of his house is like a swamp most of the year.

Just on that, a tip a builder gave me some years ago that I have found very helpful is a quick way to identify a possible illegal structure (such as a shed or carport). Basically,

if the structure hasn't been correctly plumbed up so that the run off water goes into the stormwater, then it's probably an illegal building, as no final inspection will be given unless the plumbing has been finished to a proper standard.

### **Adequate Drainage**

About ten years ago I experienced a flood. It was New Year's Eve in Melbourne and the skies opened up big time! So much rain came down that the drains in the property where I lived couldn't cope and the backyard turned into a swimming pool.

Now, while you can't help minor flooding in a 'once in a ten year storm', when I do my inspections I take the time to locate the drains around the property, paying careful attention to note the lay of the land so that run off areas are properly drained.

For example, I recently completed an inspection on a property that had a very steep driveway as the house was built into a hill. When it rains, there could be considerable run off down the driveway, so I wanted to make sure there was a suitable strip drain at the bottom to collect the water and remove it from the property.

Inadequate drainage can cause significant structural problems, including:

- Issues with the stumps causing cracking and sinking of the foundations
- Erosion
- Water retention in the home causing mould and rising damp

### **New Homes Can Be Just As Vulnerable As Old Homes**

Don't make the mistake of believing that only old homes are subject to plumbing issues. Indeed, new homes can be at risk where the workmanship is shoddy or incomplete.

That brings me to an end of my discussion about some of the more obvious plumbing problems that I have come across. Remember though, it's important to pay a professional to complete a building inspection as it's what you can't see that often ends up costing you a fortune. I don't do any plumbing work myself, I always pay a licensed plumber to do the work.

### **What To DO**

- I hope the insights above have helped you to broaden your property inspections. If you would like further help then I suggest you look at BuyerBeware by visiting <<http://www.propertyinvesting.com/sima/click.php?id=86>>
- Do you have some more insights to add regarding plumbing, or perhaps a story to share? Please post it at:  
<<http://www.propertyinvesting.com/forum/topic/19896.html>>.

**Forum Post Of The Month: What's A Good Return?**

This month's forum post comes from GrossRealisation  
<<http://www.propertyinvesting.com/forum/topic/19904.html>>. He writes:

"Hi all,

What percentage return would you think is a good return on say \$200,000.00 in your state CBD and rural areas? For NSW, I would say 5% for CBD and 10/12% for rural. What do you think? This should be an interesting post"

I think the returns quoted here are gross returns, that is, annual rent divided by the purchase price. I actually work on a different deal evaluation formula... cash on cash returns (CoCR).

This formula is crunched by working out your net cashflow return and dividing it by your net cash contributed. I like this formula because it builds in leverage and is cash rather than profit based.

In my investing system, I'm not too fussed where the deal is, just how profitable it is. Therefore, for buy and hold deals I would want around a 15% CoCR, and for more creative deals I'd want 25%+ CoCR.

### **What To Do**

- Work on cash-on-cash returns rather than return on investment, or gross income return. I believe it provides a better basis for comparison.
- Contribute your thoughts by making a post at:  
<<http://www.propertyinvesting.com/forum/topic/19904.html>>.

## **Become A Wealth Spy And Save Over 50%!**

PropertyInvesting.com is proud to be associated with the launch of a new product that is sure to be a tremendous resource for property investors looking for great information that has the power to dramatically improve profitability.

No doubt you've heard the saying that success leaves clues, well, I totally agree which is why I like to glean good ideas from other successful investors.

WealthSpy is a new audio-based (CD) information-tool whereby Matthew Taylor seeks out and interviews successful property investors. His interviews are engaging and interesting as he draws out practical and useful tips that are being used to build considerable wealth.

Well, to coincide with the launch of this great product, Matthew has put together an Aussie Starter Pack that includes interviews with:

### **1. Myself & David Bradley**

I regard this as one of the best interviews that we have ever given as it contains plenty of insights into not only how we created our property empire, but what we are doing to make profits in the current market.

### **2. Martin Ayles**

Martin is a professional investor based in South Australia. His niche is developing and renovating property and he has completed more than 100 property deals. He currently owns a multi-million dollar property portfolio that throws off capital gains and cashflow returns.

In this interview Martin shares how to find great deals, how to build a win-win relationship with real estate agents, and how to get mentally set for financial abundance.

### **3. Ron Hoy Fong**

Ron is a New Zealand investor who pioneered a successful system that saw him buy 14 Auckland properties worth \$2.72m in just five months. These property deals resulted in a profit of \$448,000 as well as an annual net positive income of \$98,500 per annum.

In this interview Ron outlines how he negotiates to buy property, what he does to

become an 'area expert', how he deals with real estate agents and what he's currently doing with his extensive property portfolio.

### **BONUS INTERVIEW: Tony Robbins**

Also included is a bonus interview with American self-help expert Tony Robbins. Tony is renowned the world over for his life-changing results and this interview provides plenty of opportunities for personal reflection as well as many 'a-ha' moments.

WealthSpy is a wonderful resource that will be relevant for you if:

- You're looking for ways to make profits in changing markets
- You like to glean good ideas from listening to audio interviews with successful investors
- You are looking for interesting and factual information that contains practical suggestions for how to build wealth
- You're on a tight budget as this product is very reasonably priced

Okay... how much? Let's avoid hype and say that each CD is worth \$30, which would bring the cost to a very reasonable \$120.

Well, if you are able to act quickly, I'm authorised to slash more than 50% off this price and bring the cost down to just \$52.50 (plus postage and handling). At this price numbers are strictly limited so be sure to order while stocks last or you'll miss out.

As usual, your purchase is covered by our 100% money back guarantee whereby you can return the product within 14 days of ordering and receive a refund of your purchase price (excluding postage charge).

You have to ask yourself, what do you have to lose? At just \$52.50 + P&H, all you would need is one new idea to more than recoup your purchase cost many times over.

Here's your chance to secure a bargain. Don't delay, order now by:

1. Going to <<http://www.propertyinvesting.com/sima/click.php?id=85>> and buying online.
2. Calling 1800 660 630 and, for just \$10 more, having one of our friendly phone operators take down your order.

WealthSpy is a resource that I would encourage every investor to acquire.

## **Final Words**

That's it for this month. Thanks for being part of the PropertyInvesting.com community and, until next month, remember that success comes from doing things differently.

Regards,

- Steve McKnight

P.S. Don't forget to order your copy of WealthSpy while stocks last. Visit <<http://www.propertyinvesting.com/sima/click.php?id=85>> now

***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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