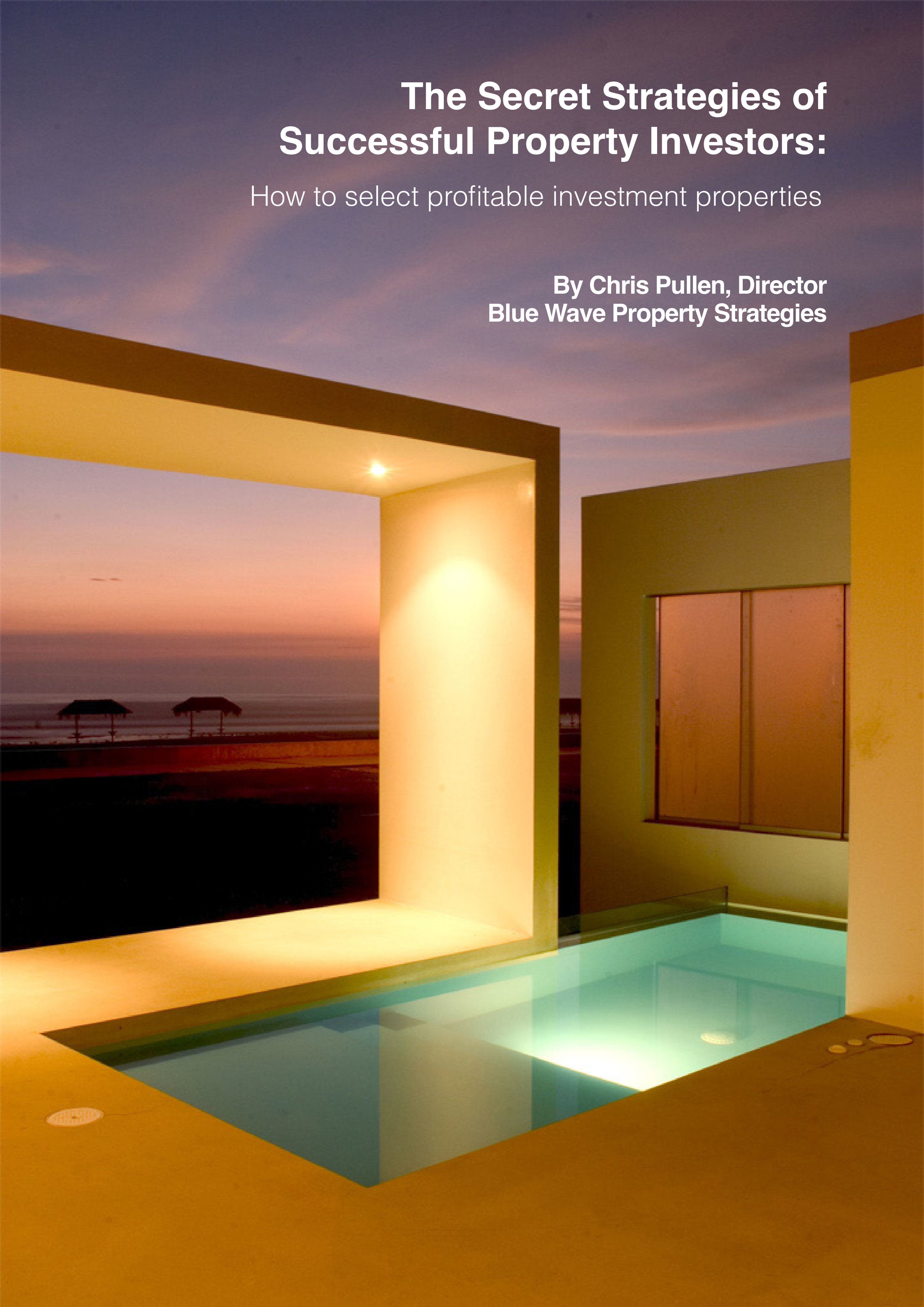
The Secret Strategies of Successful Property Investors:

How to select profitable investment properties

By Chris Pullen, Director
Blue Wave Property Strategies



Dear property investor,

Congratulations, you've just taken the first step to building your personal wealth through smart property investment.

In this ebook, I reveal the must-knows to building a profitable property portfolio that will achieve all your financial and lifestyle goals.

And the good news is you don't need specialised knowledge. You don't need hours and hours of spare time. And you don't need piles of cash.

At the most fundamental level, there are three ways to make money from property.

The first is to purchase a positively-geared property. That means the rent you receive exceeds the costs of holding the property and puts cash in your pocket every week.

The second is to purchase a property that is likely to increase in value over time. This is called capital growth.

The third is to apply a selection of advanced strategies to add value to your properties.

Unlocking the potential of each relies on your ability to select the right property for your needs, at the right time.

In the following chapters I'll guide you through the process, but for a personal approach book in for your **FREE personalised strategy session** (see page 15). Thanks for reading and happy investing!

Kind regards,
Chris Pullen

ABOUT THE AUTHOR: Chris Pullen

After building a highly successful property portfolio of his own, investment expert Chris Pullen founded Blue Wave Property Strategies to share his experience and expertise with the next generation of property investors.

Chris spent many years working in five-star hotels, luxury resorts worldwide and cruise ships in the Caribbean. This is where his passion for customer service and helping his clients originated.

He has been involved in the property and finance industry for the past nine years with well over $150 million in property transactions and settlement.

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CHAPTER ONE: Dream big

The first step to achieving financial freedom is to identify exactly what you want to gain from your property portfolio. That is, what does wealth look like to you?

What are your lifestyle goals? Do you dream of leaving your full-time job to sail away on a luxury yacht? Or do you want to secure supplemental income to fund five-star holidays, indulge an expensive hobby, or finally buy the supercar that's been staring back at you from your desktop for years?

Or perhaps wealth means building a comfortable nest-egg for retirement, creating an inheritance for your kids, or establishing an asset base to fund a new business venture.

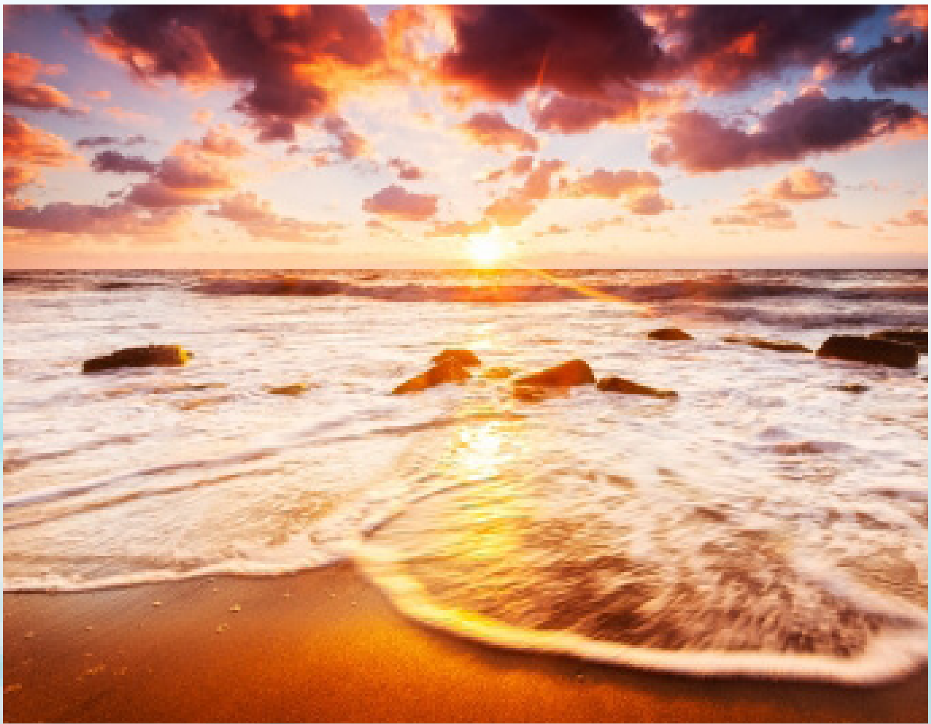
With your financial goals firmly set, you can begin to build a property portfolio that will serve your specific needs.

If immediate cash flow is the name of your game, then you'll want to focus on acquiring positively-geared properties – at least in the short term.

These properties are designed to put cash in your pocket every week, which can be applied to achieving your lifestyle goals faster than you ever thought possible.

Or if long-term wealth creation is on your mind, then it's smart to funnel your new income stream into investing in capital-growth properties – or properties that have been specifically selected for their likelihood to increase in value over time.

Of course, there are several advanced strategies that you can use to add value to both positively-geared and capital-growth properties to send your portfolio soaring through the glass ceiling. But more on that later.



CHAPTER TWO: Create an income

Positively-geared or cash-flow properties return a weekly income to investors. This is possible in one of two ways.

Either, the rent you collect from your tenants exceeds the costs of owning the property – including loan repayments – or associated tax deductions such as depreciation can offset the ownership costs.

Purchasing positively-geared properties is an effective way of establishing an immediate cash flow stream, and if your financial goal is simply to supplement your existing income, then you're already well on your way.

The good news is that with positive gearing, you don't need access to large amounts of cash. An initial deposit is enough to get you started, and using the profits from your first investment property to save the deposit for your following properties will grow your portfolio with incredible speed.

Soon, you'll have a group of properties all putting cash in your pocket every week while you're busy sailing into the sunset.

However, it's a good idea to funnel at least some of this cash into purchasing capital-growth properties to build a balanced portfolio.

We'll explain more about capital-growth strategies in the next chapter.

Finding properties with high rental return as compared to purchase price is the key to building a strong positively-geared portfolio. Such properties can be hard to find and often require extensive market analysis, which is where property experts such as Blue Wave Property Strategies can be a valuable resource.

If you live in the inner city or outer suburbs, you'll most likely have to look away from home to find positively-geared properties. They often exist in regional growth areas with high employment rates or close to hospitals, universities and mining projects.

Look for big projects, such as mining activities, that draw workers to regional areas. These workers are often in need of temporary accommodation, will tend to be cashed-up and the influx will keep upward pressure on rental rates while purchasing prices will remain low. Likewise, properties close to universities that attract large numbers of international students will often deliver healthy rental markets.

There are also several advanced strategies you can apply to help increase rental yields and push a property over the positive cash flow line.

Renting properties out by room, especially in student-heavy areas, can return healthy profits. For example, you may be able to lease out a four-bedroom house in a regional area for $600 per week. However, leasing each bedroom to four separate renters for $200 each will return $800 per week.

That equates to a little over $10,000 per year in additional profit.

Small cosmetic renovations, building granny flats, and splitting blocks into duplexes or townhouses are other good strategies for increasing positive cash flow, but more on this later.

INVESTOR TIP: *Positive gearing*

To select a strong positively-geared property, ensure it fulfils the following criteria:

- *It is located in an area with high employment and a strong local economy with lots of infrastructure.*
- *It can be close to a university or hospital.*
- *Local rents are showing consistent increases.*
- *It can be easily split into a duplex or lends itself to being leased room-by-room.*
- *It is low maintenance with low up-keep costs.*

CHAPTER THREE: Generate real wealth

With a handful of positively-geared properties in your portfolio, the cash will be rolling in. You may wish to spend this new income on achieving your immediate lifestyle goals. However, to build real long-term wealth, it's much more effective to use this revenue stream to fund the acquisition of capital-growth properties.

Whilst a positively-geared property puts the emphasis on the cash you can immediately generate from a property, capital growth is about selecting properties that will grow in value over time.

In most cases, holding a capital-growth property will cost you money over the short term, but using the cash income from your positively-geared properties to service loans and pay maintenance costs will keep your out-of-pocket expenses at a minimum.

Of course, selecting the right properties is key to the success of this strategy. Make the wrong decisions and your profits will dwindle, but choose correctly and you'll add plenty of zeroes to your bank balance.

Selecting properties primed for strong capital growth comes back to that old real estate adage: Location, location, location.

Capital cities have long been gold mines for consistent capital growth, but even bigger profits can be made in regional areas on the cusp of economic boom.

Put most simply, growth occurs when demand outstrips supply. That means when there are more people wanting houses than there are houses available, your property will fetch a premium on the market.

It's really all about population growth, and nothing attracts people to an area more effectively than employment.

Regional areas that are on the cusp of major industrial development can foster massive capital growth in the local property markets.

Getting your timing right is essential here. To achieve the best results, you must swoop when property values are still low – before the influx of new workers and the infrastructure development they bring, which push property prices up.

Unless you have many hours to dedicate to researching emerging property markets around the country, it's often best to turn to the experts to help steer you towards the property hot spots.

HOT SPOTS: *Where to invest*

According to Smart Property Investment's 2013 Fast 50 *report, Queensland is the king of capital-growth. The sunshine state dominates the list with 17 suburbs represented. Here are the 50 property hot spots that are tipped to post a growth spurt in 2013:*

QLD
- Blackwater
- Bundaberg
- Chinchilla
- Emerald
- Enoggera
- Gladstone
- Greenslopes
- Highgate Hill
- Ipswich
- Logan
- Mackay
- Mount Isa
- New Farm
- Oakey
- Rockhampton
- Toowoomba
- Westlake

TAS
- Franklin

WA
- Aubin Grove
- Dampier
- Falcon
- Hamilton Hill
- Karratha
- Kwinana
- Midland
- Newman
- Rockingham
- South Hedland
- Wungong

SA
- Hackham West
- Williamstown

NT
- Darwin River

NSW
- Bathurst
- Blacktown
- Box Hill
- Cessnock
- Gunnedah
- Hunter Valley
- Ingleburn
- Macquarie Fields
- Newcastle
- Penrith

VIC
- Albury-Wodonga
- Ashburton
- Bendigo
- Burwood
- Mildura
- Surrey Hills

CHAPTER FOUR: Build bigger profits

The market is not the only place to look for profits. It's possible to add value to your investment properties through applying a range of advanced strategies designed to both raise the rental yield of positively-geared properties and increase the value of capital-growth holdings.

Cosmetic renovations are a popular method of boosting rental appeal and adding value to sale prices, however these should be conducted with some caution. If you're not doing the work yourself, costs can quickly spiral out of control. And if you are getting your hands dirty, you'll need to make a significant time commitment. Both scenarios will have an impact on your profit margin.

Converting a large house into a duplex can be a cost effective way of adding value. Collecting two rents from the same property will give you a good push towards a positively-geared outcome, and you'll be likely to sell both homes for a sum greater than a single dwelling.

Building a granny flat or converting a property to student accommodation are also effective ways to build value, but costs need to be carefully controlled to ensure you come out on top.

Look for properties that lend themselves to duplex conversion, or for blocks large enough to accommodate extra dwellings. Easy access for builders and future residents is another plus, and properties pre-approved for development will save you a considerable headache.

CHAPTER FIVE: Divide and conquer

Subdivisions, or splitters, are another effective advanced strategy for growing the value of your property portfolio. Think of subdivision like buying a whole cake for $50, slicing it into eight pieces and selling each for $10. That's a $30 return on an investment of $50.

Just like the cake example, often the sum of a property's parts is worth more than the whole. But there are some key things you need to get right if you are to be successful in drawing out your property's full value.

Having purchased vacant land, you have two fundamental options. First, you can choose to divide the land into smaller blocks and build townhouses. Or you can divide the land and on-sell the separate blocks as vacant land.

Your decision rests on a few key factors. Most councils have rules and regulations about how far a dwelling must be set from the street – referred to as setbacks. Setbacks can range wildly from property to property, and large setbacks will decrease the amount of useable land which could thwart your subdivision plans. It's important to be aware of setback regulations before you purchase a property as this can have a strong impact on the value you'll be able to add.

Similarly, your new land may be subject to special rules relating to minimum lot sizes, restrictions around removing trees and difficulties of providing street access to each of your lots via new driveways.

Easements are another important concern. Easements often run along a site boundary and are in place to prevent new buildings blocking access

to essential services such as sewerage, stormwater and electricity. You must take the layout of easements into account in your planning phase, as they will restrict where you can build on your land.

Again, these regulations vary from council to council, so never assume you'll automatically get your way. If you need to spilt a block into three lots to turn a profit, be aware that local council regulations may prevent this and leave your big plans in tatters.

The take-home message is that subdivisions can return healthy profits, as long as you've done your homework first. Small oversights can cost you dearly, so you may want to consider bringing in an expert to guide you through the process.

SUBDIVISIONS: *5 steps to success*

1. Ask the council

Before you settle on a vacant block, visit the local council to establish the specific regulations you'll be bound by. This can be a complicated and confusing process, so expert advice here can save you money – and a major headache.

2. Submit a plan

Most councils require you to submit a planning application that details exactly what you plan to do. This may also have to go before the state government. Don't take short cuts here.

3. Engage a surveyor

As part of the planning process, you'll most likely be required to submit a professionally-illustrated survey of the property. A good surveyor should have deep knowledge of the local requirements and can help speed up the application process.

4. Meet planning conditions

Councils will often issue planning permits on the basis of extra conditions being fulfilled that are site specific. For example, the council may restrict you from removing certain trees on the property or impose other easement conditions.

5. Get the stamp of approval

Once you've met all the conditions and your plans meet local regulations, most councils will require you to submit surveyor drawings for final approval before lodging a new title.

CHAPTER SIX: Step up your game

The banks would have you believe that your options are limited when it comes to organising finance for your investment properties. This is not the case. Vendor finance, rent to buy and no deposit loans are all alternatives that smart investors use to ensure they – not the banks – are in full control of their financial futures. Vendor finance has benefits for both buyers and sellers:

Benefits for buyers

As the finance is provided by the vendor, investors can take advantage of low deposits and low or no entry fees to get into the market without access to large amounts of cash. Investors also buy on today's market prices and settle in the future, which means you take full advantage of capital growth gains while conserving short-term cash flow. And buyers can emphasise capital growth gains by directing the cash you save on vendor finance terms into renovations, splitting blocks and constructing new dwellings such as granny flats that all add value to your property.

Benefits for sellers

Selling your properties via vendor finance essentially means that you set the terms of the finance and collect interest payments in place of the bank, which is often a powerful strategy to transform a property into a positively-geared money spinner. It also means that if the buyer defaults on the loan, you retain the equity they've built. Also, vendor finance can help attract buyers that don't have the large cash deposit most banks require. This will often allow sellers to attract sales figures higher than market value, even when the market falls on lean times.

INVESTOR TIP: *Rent-to-Buy*

Rent-to-buy can be a powerful card to play in a slow market. This is when potential buyers commit to a multi-year lease with a future option to purchase the property.

This offers several benefits to savvy investors. Firstly, rent-to-buy offers a sweetener to attract buyers in a slow market, and secures long-term tenants for good financial security.

Secondly, you'll often be able to set rents above market value, and should your tenant fail to take up their option to buy, you'll hold on to the equity they've built.

Finally, the eventual purchase price is usually agreed upon on commencement of the contract, which protects you from the market declining if you are selling and lock it in for the buyer if the market is to boom.

CHAPTER SEVEN: Diversify your portfolio

The US housing market is in an unprecedented downturn with property prices down from their peak by between 40 and 70 per cent. Combined with the high Australian dollar and low US mortgage rates, this makes it an ideal time for Australian property investors to diversify into the US market.

When it comes to investing in overseas markets, it all comes down to timing. The timing for Australian investors to enter the US real estate market couldn't be better.

The reason lies in the market cycles of the US property market. As the US begins to rise from the bottom of its property cycle, houses are still significantly undervalued while the rental market remains healthy.

With a strong portfolio of Australian-based properties underpinning your strategy, diversifying into the US market could reap significant capital growth in the years to come.

Then, as the US economy continues its recovery, profits made due to increasing property values will be compounded by positive currency exchange rates as the US dollar strengthens.

And in the short term, with US rental yields of between 8 and 14 per cent readily available, it's possible to put together a healthy portfolio of positively-geared properties for a relatively low investment.

MARKET MOVERS: *US Hot Spots*

The time is right for Australian investors to make big bucks in the US property market. According to Realtor.com, these are the country's top 20 destinations for growth in 2013:

1. Chicago, IL
2. Dallas, TX
3. Los Angeles, CA
4. Detroit, MI
5. Boston, MA
6. Philadelphia, PA
7. Atlanta, GA
8. Tampa, FL
9. Phoeniz, AZ
10. New Haven, CT
11. Orlando, FL
12. Washington, VA
13. Riverside, CA
14. Las Vegas, NV
15. Raleigh, NC
16. Fort Worth, TX
17. West Palm Beach, FL
18. San Diego, CA
19. Orange Country, CA
20. Denver. CO

Source: http://www.realtor.com/data-portal/Real-Estate-Statistics.aspx?source=web

CHAPTER EIGHT: Show me the money

Even the most effective investment strategies will fall flat if you fail to achieve the right financial structure.

The wrong financial structure and loan set up could cost you thousands of dollars and erode your property portfolio before it really gets off the ground. But make the right choices and it will be you, not the bank, who is in firm control of your financial destiny.

There are two basic types of home loan – principal and interest (P&I), and interest only (IO). Most home buyers take out standard P&I loans and pay off the principal over 25 to 30 year terms in order to eventually own their property free and clear.

However, IO loans are often a much smarter choice for investors. The smaller repayments will give you a better chance of achieving positive cash flow, and will maximise your cash income in order to borrow more money and purchase additional properties. While you will not have paid off any of the principal, your profits will come in capital gains.

Line of credit loans are a strong option for covering outgoings. Think of these as much like a credit card situation that gives you easy access to funds, but on home-loan interest rates. And parking your operating cash here can also earn you money.

However, it's important to sound the alarm bell if your bank starts pushing cross-collateralisation. When you take out investment loans, the bank will want to secure the loan against other collateral – namely your owner-occupied home. Often banks will want to wrap up all your investment loans into one, and secure it against a suite of properties. This is called cross-collateralisation and should be avoided. Should you default on a repayment, this gives the bank control over your entire portfolio.

FREE! Personalised Property Strategy Session

Valued at $495

As a valued reader of this eBook, Blue Wave Strategies is pleased to offer you a **FREE** personalised 30-minute strategy session with author and property investment expert Chris Pullen.

Usually valued at $495, during your **FREE** consultation, Chris will help you:

- Identify your financial goals and what makes you tick.
- Work out the fastest, easiest, and safest path for you to attain your goals and live the lifestyle of your dream.
- Find the investment properties for your specific goals.
- Create short-, medium-, and long-term property investment plans.
- Build a solid property portfolio that's going to give you positive cash flow with strong capital growth potential.
- Identify any dangers that may lie hidden in your property portfolio.
- Help you invest in property with confidence.
- Connect you with financial planners, accountants and solicitors to help you overcome finance or cash flow challenges.

To learn how to purchase four to six properties in the next five years, book in for your FREE personalised property strategy session now and ride the wave to wealth.

CONTACT US NOW!

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