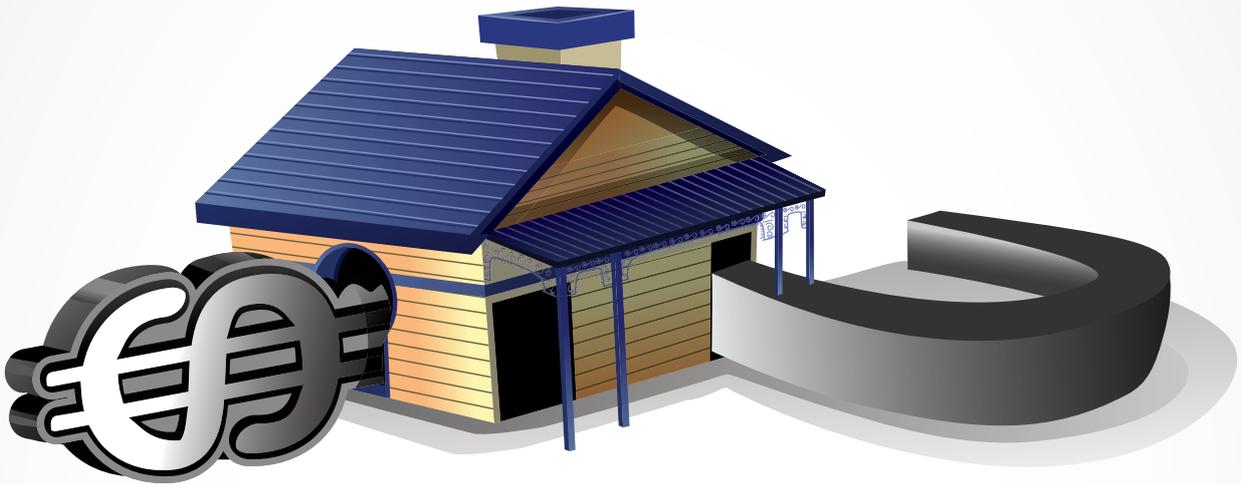


# THE KEY TO UNLOCKING QUALITY PROPERTY INVESTMENT



Right Finance. Right asset selection.

## Case Study: Mark & Megan Gray

Wakelin Property Advisory referred Mark and Megan to ProSolution Private Clients in late 2009 to prepare a financial plan to fund retirement. They had previous experience with investing in shares and property but were uncomfortable with the performance of these investments. Their financial plan was finalised in March 2010 and, amongst other things, involved them purchasing two investment-grade properties. Wakelin Property Advisory was engaged to assist with the implementation of the financial plan, specifically the acquisition of two investment properties.

In June 2010, Wakelin Property Advisory purchased an apartment in Mountain Street, South Melbourne for \$448,000 for Mark and Megan. In August 2012, they purchased the second investment property in Coleridge Street, Elwood for \$567,000. We estimate that the South Melbourne property is currently worth in the range of \$610,000 and \$630,000 and the Elwood property is now worth in the range of \$580,000 and \$600,000. Over a relatively short period of time they have accumulated nearly \$200,000 of equity in these two properties which is a fantastic start.

Mark and Megan met with ProSolution Private Clients in December 2014 to review their assets and financial plan. We concluded that Mark and Megan are well on track to comfortably fund retirement by age 60. Mark and Megan attribute their success to the value of independent financial advice underpinned by astute asset selection.

Case Study

## Unlock Your Future

You are aware of the strong track record of prudent residential property investment. Undertaken correctly, direct residential property has comparable or superior returns to any major growth-orientated asset class. Consequently, judicious property investment has delivered financial security to many hundreds of thousands of Australians in recent decades.

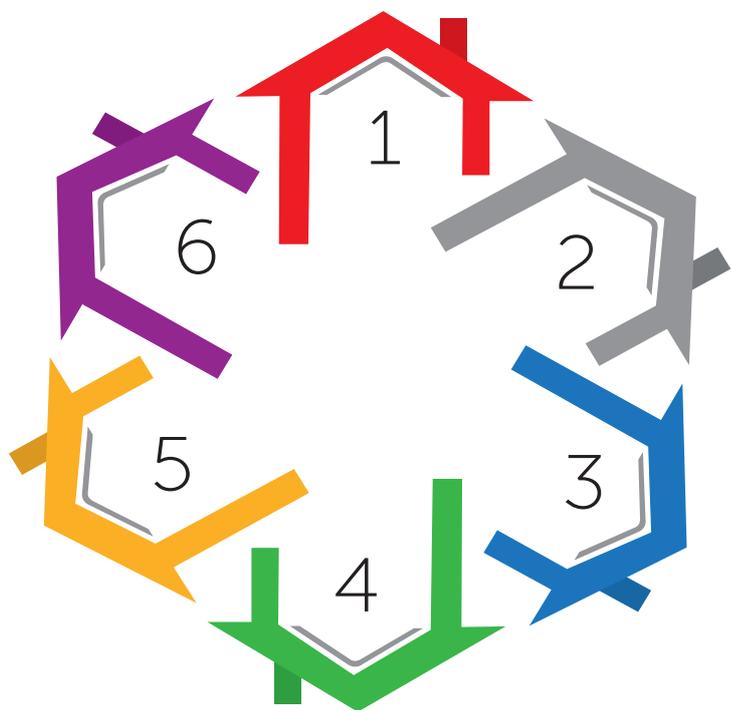
The greater challenge for each of us is to take that awareness and act on it. It's overcoming the impediments to success. To begin with, it's being focused on this goal when there are always one-hundred-and-one items competing for our attention. Then there is understanding and then steering through the complexities of direct property investment. And finally, it's finding advisers whose advice you can trust.

In the following pages we will deconstruct the process of property investment for you. In particular, we address one of the hardest part of any investing campaign: how to adeptly co-ordinate the process of selecting a quality asset and securing suitable lender funds. We illustrate it all with real case studies from our clients. The result, we hope, will inspire you to make property investment a priority for you and – perhaps – you'll consider choosing Wakelin Property Advisory and ProSolution Private Clients to be your trusted guides.



# Astute Property Investment In Six Simple Steps

This publication aims to provide you with a brief overview of the six steps involved in an investment property acquisition.



1. Planning for your investment
2. Asset selection
3. Negotiation
4. Settlement
5. Property management
6. Investment performance review

## Step 1 - Planning for your investment acquisition

It is important to think strategically as opposed to making ad-hoc investment decisions. A little bit of time in planning at the beginning saves a lot of money and heartache in the long run.

**Setting your budget:** an investor's cash flow position and the amount of equity they have in any existing property (or cash) will typically be the two main factors that influence budget. Consider how making an investment will impact cash flow. Borrowing to invest will typically require a cash contribution towards the loan's interest costs (as the net rental income won't be enough by itself). Ensure you have sufficient cash flow to meet this additional investment expense taking into account current and future interest rate levels. Using a long term interest rate of 7% p.a. is advisable when preparing a budget. Speak to your banker or mortgage broker to ascertain what your borrowing capacity is (from the lender's perspective).

**Considering ownership structure:** will you own this investment property solely, jointly with another person, tenants-in-common, in a trust or self-managed super fund? There are many ownership structures available so it is worth seeking advice from an accountant or financial advisor. There are numerous considerations to weigh-up including income tax benefits and expense, land tax, cash flow, asset protection, capital gain tax, maximising borrowable equity, ownership of any existing investments and so forth.

**Arranging funding:** how will you fund the new investment? Obtain credit advice to optimise your cash flow, ensure tax benefits are maximised, minimise the cost of debt and allow for future investment.



Stuart Wemyss



Richard Wakelin

## Case study: Robert and Denise Shergold

Robert and Denise approached ProSolution Private Clients in 2012 for assistance to fund an investment property portfolio. At this time, Robert and Denise owned their own home, did not have a home loan and had a reasonable super balance. Since most of their children have recently completed private school education, they had a healthy cash flow to invest.

After a discussion with the clients (as their accountants) we concluded that they should purchase two investment properties in Robert's name as the sole income earner and one property in their self-managed super fund.

In December 2012, Robert and Denise purchased an apartment in Elwood for \$700,000 with the assistance of Wakelin Property Advisory. This acquisition was funded by drawing 20% plus costs (of \$56,000) from the deposit facility secured by their family home plus a separate loan for the remaining 80% secured solely by the investment property. This property's value is not over \$750,000. In March 2013, Robert and Denise purchased their second property in Prahran for \$650,000. Wakelin Property Advisory is currently searching for a suitable investment for Robert and Denise's self-managed super fund.

Case Study

Case Study

Case Study

Case Study

Case Study

Case Study

## Step 2 - Asset selection

Despite all the talk of housing shortages and undersupply, there is never a drought of property on the market. Unlike milk or eggs, property is never sold out.

An investor's problem is quite the opposite. There is too much choice. There are thousands of dwellings 'for sale' vying for our attention. And in all shapes and sizes and locations.

This abundance of choice is a problem because there is significant variance in the performance of property, as measured by long-term capital growth. Investors have to separate the star performers – those with a track record of consistently high capital growth – from the rest.

At any one time, less than one property in 20 on the market is a performer. However, 20 out of 20 estate agents will tell you that their property is a star.

It isn't always obvious which properties will perform. Investment grade properties overachieve because they tick all the boxes relating to location, size, architectural style and quality of presentation. Most importantly, they are considered scarce: a property type where demand always outstrips supply.

Non-performers can fail even though they ticked most of the same boxes. With the margin for error so small, it is easy for inexperienced investors to buy a second-rate property despite having some understanding of property investment principles.

Wakelin Property Advisory is unmatched at identifying investment grade property. We do this through a deep understanding of property selection criteria, an unwavering adherence to those rules, over 20 years of experience of operating in our marketplace and a large team on the ground to provide the time information about conditions and opportunities.

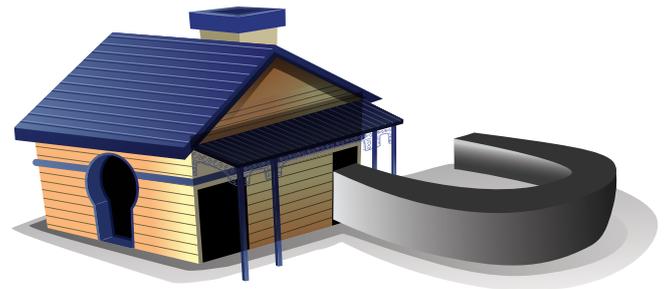


## Step 3 - Negotiations

Find a suitable asset and negotiations for the sale price, settlement period and other terms can begin. The process is much easier when you have a good sense of fair market value. This is where the hard work burning the shoe leather in preceding weeks pays off.

The simplest form of negotiation is an auction. The process is transparent and generally the person with the largest budget wins. Negotiations become more challenging if the property is passed in at the auction or is listed as a private sale. In these instances, negotiations can become as much a battle of the respective wits and nerve of buyer on one side and estate agent and vendor on the other as a question of what's a fair price.

Wakelin Property Advisory clients come to the negotiations with a huge advantage: our finely honed negotiations skills, built over countless deals. It's a resource that greatly increases their chance of securing a great asset and save thousands of dollars.



Case Study

Case Study

Case Study

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Case Study

### Case study: Jenny and Ian Seal

Jenny and Ian were looking for a property that would meet two needs: initially it would be home for one of their adult children; and, in time, they would lease it out as an investment property. The brief for Wakelin Property Advisory was clear: find an investment-grade asset in an area that was convenient for their son's lifestyle needs. They were also happy to buy a property that required some renovations.

Somewhat unusually for Wakelin Property Advisory, it took three attempts to secure a suitable property. "Third time lucky," says Jenny. However, the longer-than-expected journey only deepened the relationship between the Seals and Wakelin Property Advisory. "Even though we were unsuccessful with the other properties, it was fabulous experience for my son and partner," says Jenny. "They couldn't have been with anyone better to explain how the process works."

Eventually they purchased, via a private sale, a 2-bedroom Victorian weatherboard house on a quiet street in Hawthorn. Wakelin Property Advisory handled all aspects of the negotiations. "The property had been on the market a little while. Wakelin Property Advisory felt that the campaign hadn't gone well for the agent and vendor and this presented us an opportunity, says Jenny. "The property needed some work, which was a positive for us. A building inspection was undertaken. Once we decided to proceed, Wakelin Property Advisory was able to wrap up the negotiations in 24 hours. The process was very easy for us."

The relationship didn't end with the purchase, says Jenny. "After we completed some renovations, Mike Williams from Wakelin Property Advisory came over to view – which he really didn't have to do. We feel we can call Mike anytime. Later on we spoke to Mike about another property of ours that was going to auction. He provided some really valuable advice which we followed to the letter; our property sold at auction and it sold very well. The interest in our circumstances and a willingness to offer advice is invaluable. Furthermore the advice we get from Wakelin Property Advisory is always logical and makes sense."

## Case study: Robert and Denise Shergold

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### Step 4 - Settlement

Succeed at the negotiations and, congratulations, you have reached stage 4 – settlement. It is perhaps the least understood part of the process. Once again, obtain a recommendation for a good solicitor or conveyancer to do the work. So ask around – well before you are in a position to buy.

### Step 5 - Property Management

Purchasing property will consume a few weeks or perhaps months of your life; managing the property is a long-term commitment.

As soon as you buy a property, the first thing that will likely happen is the vendor's real estate agent will approach you with their million dollar smile and try and persuade you to use them as the managing agent. It's a really great day for an agent when they receive a commission for selling and one for managing a property!

Don't accept easily. Property management is a specialist field. Some agents do it well; most don't. Again, seek recommendations and interview candidates. You're looking for the agent who has a track record of sourcing and keeping good tenants.

### Step 6 - Investment Performance Review

The good news for the novice investor is that the sixth and final step in the property investment odyssey only requires one simple action during the buying campaign: diarise a portfolio review in 12 months' time and make it a recurrent event.

Once a year consider these items: the property's financial performance – although you might not see any growth in the first year; cash flow; ensure insurances – landlord and other risks – are current and up-to-date; review capacity to invest again; and sit down with the property manager and review their performance.

## What Next?

Of course the information contained in this publication is general in nature and you should consider how it relates to your individual circumstances. To this end, we invite you to a meeting to review your property investments and financial circumstances. At your request, this meeting could be attended by a representative from Wakelin Property Advisory and ProSolution Private Clients.

During this meeting we can address a number of considerations, including:

- » A review of the performance of your existing property portfolio
- » An update on status of the Melbourne property market and present investment opportunities
- » Review of your loan structures, products, lenders and interest rates
- » Review of your borrowing capacity (including bank re-valuation of properties)
- » Answer any other questions you may have about any other financial or property matters including tax minimisation, retirement planning, review of your superannuation and insurances and so on.

This is an opportunity to discuss property and finance matters in the one meeting and the agenda will be developed according to your needs. Of course, complete confidentiality is always maintained.

If you would like to accept this meeting invitation, feel free to contact either of us. Our contact details are located on the back cover.



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REWARDING PROPERTY DECISIONS

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