Your Property Success Podcast Transcript

Episode 01: The Biggest Questions Facing Investors…

Narrator: Did you know with just two investment properties and one single renovation that you could put over a million dollars in the bank? It's true, and why stop there? Welcome to Your Property Success Podcast, the show that explores the practical steps to making your property investment dreams a reality. And now here's your host, a lady who was once waved through airport security even after admitting to handling explosives, Jane Slack-Smith.

John: True or false?

Jane: That is actually true.

John: Really?

Jane: Yeah. I was an explosives engineer and I'd been out on site on Mt. Isa and flew back to Brisbane. It was 2002, so everything had just happened. He said, "Have you been dealing with explosives today?" I said yes, and he said, "Go on through. We don't know what to do yet if someone comes back positive."

John: They haven't got their standard operating procedure yet.

Jane: It's all changed since then. But, John, you shouldn't even be here yet. I haven't introduced you.

John: Yeah, sorry. Go ahead.

Jane: Down to the business of this podcast and thank you, John. Welcome, everybody. Welcome to the very first episode of Your Property Success Podcast. I really appreciate you taking the time to be here. We have some really exciting things planned which I will tell you all about shortly.

My name is Jane Slack-Smith and I've been investing property for over 15 years now. I've put my property portfolio together using a very simple and uncomplicated method, and I'll be sharing with you what's worked for me and how I've built my property portfolio relatively quickly and with minimal risk. I'll also be interviewing other investors, breaking down and really deconstructing what has been working for them also, so that we can take the best bits and apply them to our own property investing. Plus, we'll be hearing from you.

Coming up, you're going to visit real investment properties, renovation projects, development sites, and hear some great bits and the ground stories from real people working hard now to create the future they desire. So there's a lot to look forward to.

In this podcast, being our very first podcast, it's going to be a little bit different because it's being recorded live. Because in this first episode we really wanted to incorporate some of the biggest questions that investors have particularly when they're just starting out, so we're recording this podcast via webinar and joining us as we speak online, there's over 500 property investors. However, before we speak to them, first I need to introduce you to the man sitting alongside me in front of the mixing disk, renovator, property developer, co-creator of the Ultimate Guide to Renovation, John Hubbard. Hi, John.

John: Hey, Jane, great to be here. Great to have this finally up and running.

Jane: I've got a confession to make. John has been working with me for two and a half years on starting this podcast, so tonight you're a happy man.

John: Yeah. Thank you. Duly noted. I think it's going to be great. I'm really excited about this because I'd sit around the office and, you see, people come in, like Johnny Woods and Peter from time to time, and hear these conversations and I thought we should be recording this.

Jane: I know. Well, we are.

John: Yes, we are. And I want to let people know to hang around to the end of the podcast to catch our inaugural quiz.

Jane: What's it called, John?

John: I'm glad you asked, Jane.

Narrator: Suburbs Against the Clock.

Jane: What can go wrong, right? It's only life.

John: Yeah. We have to look forward to towards the end of the show, and the winner will receive a full year's membership of Your Property Success Club valued at over $300.

Jane: John, have we got anyone to chat to?

John: Yes. Damian has his hand up here with a question about how to choose the right location to invest in.

Jane: What a good way to start. Hey, Damian, are you there?

Damian: I am. How are you?

Jane: Oh, good. Thanks. You have a question?

Damian: I did. I just wanted to know, if I'm buying in a certain area, what guarantees I would be getting in that area in making sure that I do get a return on the property.

Jane: Give me a little bit of background. Have you invested before?

Damian: I did, a few years back now. But I invested and sold a property. It was a rental property in Carrum Downs.

Jane: Okay. And were you happy with that investment?

Damian: It really didn't move. But then again, I shouldn't have been looking at a short-term option. I should've been looking a little longer in that area.

Jane: Okay. And you've got your own home now or are you renting?

Damian: Renting, yeah.

Jane: Perfect. I guess the real crux of your question is if you're going to do this how do you know where to buy and make sure that you have the fundamentals right so that it is creating wealth for you as well helping you out with the cash flow as well.

Damian: Yeah, that's right. Because I think really, I guess the advice I got was... I didn't get really much advice anyway. It was sort of a friend of a friend who said, "Yeah, why not Carrum Downs." Back then I really didn't have the knowledge or expertise to sort of be able to say, "That's a growing area and that's going to do well." My question to you guys basically is do you look at certain areas and say, "Okay, this is the amount of money you have at this stage, this is what you can be investing in and what areas you should be investing in"?

Jane: It's a great question because I think a lot of people that I speak to have been a little bit lost in their past investment decisions and probably a little bit disappointed about where they have bought. I think the best I heard someone said, the taxi driver told them it was a good idea, so he ended up investing in an area. So a friend of a friend's not that bad, Damian, to be honest.

Damian: That's exactly right, because you often find that some of the advice you're getting, you're getting it from either a friend or a family member, and they're not necessarily the experts in that.

Jane: Exactly. The good news is I'm not going to say there's a magic pill, but there is a formula and a foundation that I definitely use when assessing a location. I have a whole step-by-step methodology on how to do this with that anticipation. And you didn't infer to the fact that you felt that there was a population demand in Carrum Downs. That is one of the drivers of capital growth.

If you're familiar with my Trident Strategy, I try to have three ways of making money in a property (Just in case I get one wrong, I've got two to fall back on):

That is, knowing an area well enough and doing the research to be able to buy below the market, so creating instant equity. The second is having the ability to renovate and add equity in the meantime, and push the rent up to keep the cash flow; the difference between the rent and the mortgage payments and the costs down. And then long-term, having that growth to have that sustained kind of wealth accumulation. There's some key fundamentals.

I start with my whole dot map methodology which is kind of looking at the ripple effect, what has driven the market in the past. So I look at what the past 10-year growth has been for suburbs in a particular state. So I might take capital city of Melbourne is obviously where you're investing. I'll map out what the capital growth has been in the last 10 years, and what you can often see is some pressure points, surprising pressure where one area might become unaffordable. And so the need to the market kind of pulls over into the next suburb, so it kind of pulls up the price of the next suburb. That ripple effect is something that's, I guess, at a high level, the first pass indicator that I'd look at.

But then I try to get really deep into the fundamentals of what makes a successful suburb for my strategy. So if your strategy is to “buy and hold”, then you're targeting the rental market. My minimum requirement for renters in an area is at 30%. So I want to make sure that at least 30% of the market in a particular suburb are renters. That kind of gives me the confidence that when I go to rent out my property, there's a market.

But also I want to make sure that there's not an overflow of stock there, and one of the indicators of that is vacancy rate. There's a general consensus that if the vacancy rate is at 3%, then the market's in equilibrium: The same amount of people looking is available to properties to rent, but for less than 3%. So if you read in the back of one of the magazine's databanks, it might say that, for instance, Brunswick has a vacancy rate of 1.5%. That means that there's a lot more people looking than properties available. So that gives you an indication also, a bit of a risk minimisation in the sense that “what happens if I can't rent the property?” If you had a rental vacancy of 4% or 5%, there's a lot more properties on the market than there are people who are actually looking.

That would be the second thing that I'd look at just as an absolute precursor, because as you've indicated, you've got money that you want to invest and create wealth. Knowing where to buy is so very important. Does that make sense?

Damian: Wonderful. That makes a lot of sense. If I had that information before we purchased Carrum Downs, I think I would've done a lot better. And I think what you mentioned before with the risk minimisation that you put in place, it ticks all the boxes and covers everything.

Jane: I'm so glad we could help you and I look forward to hearing about your next success.

Damian: Thank you. I'll have to come directly to you this time.

Jane: Absolutely. Thanks so much for your question, Damian.

Damian: No worries at all. Thank you.

John: Jane, you touched on the Trident Strategy there. It would be good for people who aren't familiar with the Trident Strategy, so could you rewind a bit and maybe go back to how you developed it? Obviously you've used it to build your portfolio and so on. But I imagine that you weren't born with it. You've learned it at some stage. So take us back to where you started, when you were kind of a wet-behind-the-ear, young property investor.

Jane: Way back when. You're right. I was a mining engineer. So I graduated mining engineering. I spent the last 10 years of that 18-year career as an explosives expert, so I got to run around the world and blow things up. As an explosives engineer, every single day was about risk assessment. And an actual fact, safety and risk assessment was so ingrained in me that I did my thesis at university on risk assessment and it was the first kind of risk assessment introduction to the mining industry through that thesis.

For me it was about “How can I minimise my risk?” I only had $45,000. I was 28 and there was no way I'd be separated from that money without making a lot of good decisions. I went to all the seminars, I listened to everyone, I listened more interestingly to all of their mistakes and what they did. It kind of struck me that I didn't want to just have a plan A, I wanted to have a B and C in case I got one wrong. I sat down to know how we're going to manufacture money.

But going to all those seminars, what really interested me was not so much what people were doing to get it right but what they did when they got it wrong. I don't know. Maybe it was the engineer's brain or something. I just didn't want to lose my deposit because at that time it was so important to me because I'd spend a lot of time and, honestly, hand on heart I was an underground coal miner at the coal place.

John: You literally had been working in a coal mine doing that.

Jane: I was not going to give up on that lightly. That's kind of how I arrived at my strategy. Later it was named the Trident Strategy, but back then it was around my just safeguarding that little nest egg that I had.

For people who don't know, this is extremely simple but it's such a powerful strategy that I've developed. It's about having three pillars of making money repetitively. That's buying below the market value so that I could have money or equity from the get-go. So I was actually getting equity in to start with, renovating to add value. I was actively forcing up the value of the property and the rent as well by renovating it. So I was creating and manufacturing that equity as well. And then I was selecting a property in a high capital growth area. Over the long term it was growing equity. It was being pushed along by the market.

I was making money in three ways: Buying at a discount, renovating (and now I aim at trying to get $2 back minimum for every dollar I spend), and then the equity gains from the capital growth – because I spend so much time in that, selecting a suburb that I predict will experience capital growth, and just riding the coattails of that through the years of having the property in my portfolio.

The real benefit of the Trident Strategy for me was that it's a threefold risk minimisation strategy which is if you get one wrong and you kind of stuff something up, at least you've got two others to fall back on to make money. So just having that strategy, and then from that I created my buying criteria that I could use to help me to select the suburb and then select the property.

So as some of you may know, I purchased my first property 15 years ago today for $425,000 in the Melbourne suburb of Carlton. I used all of my $45,000 in savings and then I spent $50,000 of borrowed money on a renovation. I did get some bits wrong because I was still learning, but I made a profit. Nine months later, that property was revalued at $700,000, which was $225,000 increase in value. That was a huge deal for me, and in fact if I look back at it now...

John: You're still celebrating.

Jane: I am. We got a big plan on Saturday night to celebrate the 15-year anniversary. It seriously just changed my life because that property became the springboard for purchasing the next property. And we used the same strategy and we did the same things again, and the next property, and the one after that.

I look at that Carlton property now and it effectively became the absolute foundation for building a multimillion-dollar portfolio over the following 15 years.

John: That's awesome. And what it drives home to me is just how important it is getting that first property right, isn't it? It's not kind of just about sticking your toe in the water; it's actually carefully laying the foundation for your property portfolio.

Jane, while we've been chatting here, the board has been lighting up with questions and I have a question from Pia here. So I'm going to unmute Pia's line.

Jane: Hey, Pia, you have a question?

Pia: Yes. Hi, Jane. Thanks for taking my call.

Jane: A pleasure.

Pia: I actually like everything I've heard so far, very interesting and good information, but I've got one more question. I'm quite busy. I work four days a week and I've got a little one, and I've got a husband, and I've got a life. So how do I fit it in to my whole structure?

Jane: It's a good question because the fact of the matter is there's not a lot of people who don't have other things going on. We're always trying to fit in work in our everyday lives with trying to get to our goals. We all have those things. But I think it's around getting very clear on setting your goals and understanding what you're trying to achieve, and having that clarity of what may be the investing strategy or the renovating strategy that is going to work for you. So you can create that plan or that road map for yourself so you're getting very, very clear on what your criteria is.

Yes, there's a little bit of work that goes into that kind of upfront what you need. But what we've found in the past is that some people have taken that clear criteria and go “Well now, I actually have the confidence to know exactly where I'm looking.” They've taken that very quickly, found a property that suits those needs because they don't have the clutter of going through 14,000 suburbs in Australia. Or they take their criteria and they give it to a buyer's agent and they say to the buyer's agent, "This is specifically what I'm after."

The buyer's agent is someone who you employ who works for you. Up to 60% of the properties that buyer's agents actually have available for them to look at or real estate agents are presenting to them are actually off the market, which means that you're not going to see them on realestate.com.au, or domain.com.au. They have access to some other property so they can actually really search based on your criteria, which is great – and even renovating.

I recently did a renovation in one of my properties in Sydney, and the rental agent managed the whole thing. I said, “I need the quotes for these. I have a builder who can do some of these things but I need carpet, paint.” They went and found the people at no charge to do that and got me through quotes on each of those. So you can actually then outsource, if you wanted to, the project management of the renovation itself.

So for busy people who have a life, sometimes it kind of feels too much when we start talking about you have to go and do all this research on suburbs and streets, etc. You can get to the point of just having those goals and those buying criteria solidified in your mind, and you could deliver to the professionals. They can help you out.

Pia: Fantastic. That could work in my life.

Jane: Especially with little kids, right? You never know what's going to happen or what's around the corner, do you?

Pia: Exactly.

Jane: Thank you so much for your question, Pia. All the best.

John: Up next, I have a written question here, Jane, from Jeremy who says, "How do you avoid overcapitalising on a renovation?”

Jane: Jeremy, this is a great question because it's something that a lot of people do. John, I think this one's for you. This is an area where you have had a lot of experience.

John: Okay. You can overcapitalise on a renovation. Capital-wise, probably the biggest reasons that come to mind straight away are the location, the property itself (so the choice of property), and then of course the actual renovation. But if we start with the location, that's probably one of the biggest ways that you can really hamstring yourself before you even get to start the renovation.

Because not all suburbs have that capacity for renovation, and there's lots of reasons for that, and we could go into that. For instance, new suburbs where the houses are a couple of years old, there’s very little capacity to add value to a house like that through renovation, for instance.

But what really makes strategic renovation viable is the difference in the price between the unrenovated properties and the renovated properties, and we refer to that as pricing disparities. So that's a spread of values at a street level. That means there's a difference in price that is enough to make a profit between the unrenovated and the renovated property.

So for instance, you're in a suburb that you didn't have that difference in price. For instance, you're buying at $400,000 and you looked at the renovated properties in the same street and they're only selling it $430,000 or $440,000. Then there's very, very little gap in there to make a profit, particularly when you're bringing all the things like transaction cost, and stamp duty, and obviously your renovation cost and holding cost, and all that kind of thing. That's number one, the location.

Number two is probably the property itself. Lots of people have seen unrenovated property and make the assumption that it has the capacity to add value just by virtue of it being unrenovated. If you go through some of those opens, it's got renovators to line on the board out the front, and there's hordes of people going through, naturally assuming that they're going to get a bargain here or something.

A couple of years back when I was doing some due diligence on Melbourne, I was doing the three months going through everything on the market to really try and become a suburb expert. Myself and my partner Aileen, we'd have competitions at each auction of—which I know you and Todd did this as well—you know, how much is it going to sell for.

Jane: Winner buys dinner.

John: Yeah, that's right. And then I would write down, depending on what the state of the property is, whether it's unrenovated or dated which I considered to be kind of 90's, maybe 2000's renovation, or renovated, so recently renovated maybe in the last five years. I'd record the sale price and then I'd work out the square meters and so on, based on whether it was the dated unrenovated or renovated.

What I found was the dated and the unrenovated properties would often go for the same rate per square meter. So the popularity of the unrenovated properties was pushing them up into the dated range. When you could buy a dated property a lot less money, a lot less to doing it. Perhaps it's been built in the 70's or 80's and is already large enough. People would buy these unrenovated properties. It needed hell of a lot of work because they hadn't done the numbers on them and they just assumed they could add value.

Jane: Absolutely. I remember back in 2002 looking in Newtown and seen exactly the same thing, two open homes opposite each other, open at the same time. The block had just come out and there was this line up for this lake, fallen-down property, and across the road, there's this completely renovated property, young couple. Just looking at how much they'd spent on it, you did the back calculation much better. By buying the renovated place, you save yourself time and money. In the end, I think they were pretty disappointed in what they got for it. But, absolutely, just because it can be renovated, it doesn't it deserves it.

John: It doesn't mean you should. That's right. I guess the last thing we often talk about, Jane, is just the other trap is renovating to your own taste. That's something you often see people do. I think it's an opportunity for a bit of creative expression rather than being around the numbers.

Jane: Or what they want in their own home that they could never have?

John: Yeah, that's right. “I've always wanted this.”

Jane: There you go. We've talked about overcapitalisation and a few things. But, John, we met a few years ago and you were actually researching at that time. You were doing some due diligence. I was really impressed when you were showing me your spreadsheet and you were showing me that dollars per meter squared per renovated, unrenovated, and dated...

John: I remember we were comparing charts of watching markets over various periods of time.

Jane: And people's predictions for them.

John: Yes, and when lines intersected and all this. They were very exciting stuff.

Jane: You attended one of the courses I was running with Medine Simmons?

John: Yes.

Jane: But it was kind of at that time after the workshop you invited Todd and myself to come and look at a property that you were working on.

John: Yeah, that's right. I remember you guys coming out on a Saturday and having that walkthrough. It was a property in Brunswick that I was flipping at the time.

Jane: And I think the thing about the property that we visited that really struck home to us was the beauty of the box in the back, the fact that you had transformed a little house into this beautiful home with this incredible... There was the butler’s pantry, and the beautiful aspect, the glass to look out the back, mum cooking in the kitchen and could see the kids playing around. And it was just so beautifully finished. I think that's what really impressed Todd and I, the fact that that structural renovation technique could be done once again on a budget that was something that we felt that we could do with cosmetic renovations, that you were doing with the structural renovation and creating something that you could then flip really well. We were really impressed with looking at that.

John: Thanks. I guess the thinking from the start and what I had thought a lot about was how I could build inexpensively and quickly. And that was just by using a few elements and rearranging rooms to make the open plan at the back, and then you could fill in the other rooms and make them as bedrooms and bathrooms and so on. And it really just reconfigured the house quite simply by just adding one box on the back.

Jane: I guess, guys, that's their timeline. In 2001 I started with my first property, 2009 you realised with your home how much value you'd added, and then we started working together. I asked you some feedback on my book at the time. At that stage, we started talking about the fact that all those renovation courses out there were so reno-centric and didn't have that location component that we felt was important. And you had all that video experience...

John: One thing led to another, yeah.

Jane: And the Ultimate Guide to Renovation was born.

John: Yes, that's right. More hands up here, Jane. Let's see if I can unmute Mary's line here. Hello, Mary.

Mary: Hi.

Jane: Have we got a question, Mary?

John: It's good to have you.

Mary: Yes. I do. Between investing in a CBD area but is not really the central CBD, like maybe out 40 kilometees radius, and investing in regional area that’s very close to the center of the region, between a two-kilometre radius, which one do you think is a better option in terms of growth?

Jane: It's a really, really good question, Mary, and I'm glad you threw "in terms of growth" at the end of it because it does come down to what your particular strategy is. If you have a buy-and-hold strategy, which is buy a property and hold it for a long period of time, and let time make your property go up in value, then that is the growth-based strategy. It's about buying the best property you can afford to buy in the area as soon as you can afford it.

But how did you determine what that is if you've got, for instance, $500,000 to spend, and we're talking 40 k's out of Sydney, compared to buying somewhere that's regional that you could get a whole lot more money for that's closer to the center of town?

I guess one of the things that has always been my philosophy under the Trident Strategy is having the three ways of making money: Having a property that I can buy below the market, getting instant equity, add value through renovation and have more equity, and then have the capital growth do its magic and then capitalise on that obviously is the end game. But when I look at that, growth is the one thing that I will never give up of those three strategies. That's just because cash flow is fabulous because it can help you hold properties for a period of time, but being focused on that goal, you need to have that capital growth to get you out of your portfolio and into the lifestyle that you want at some stage in the future.

Regardless of whether it's 40 k's, or if it's a city property, or if it's a 2 k's out of a regional property, I would be looking at the specific growth dynamics in those areas. Growth is really driven by demand. When there is more demand than there is supply, that's when growth is driven.

One of the factors or risks that you have in buying in those outer suburbs is that they could just be copious mass of land at any time that they could just keep building on, and usually that infrastructure getting out to those areas is a little bit delayed as well so you may not have that immediate growth dynamic. And if you had a 5-year plan rather than a 15-year plan, then you may not have the growth in the short term to actually drive that property up in value.

But if you were in a major regional area—and I've had chats with Terry Rider and Jacob from Ripehouse about areas like Aubrey, Bendigo, Julong, Wollongong, and Newcastle, some of those regional areas that you can get more bang for your buck arguably for them being in a CBD capital city—they may actually have the better drivers for growth in the long term for you to invest in.

Mary: Sure. Thanks for that. Thank you.

Jane: Hey, great question. Thank you, Mary.

John: Thanks, Mary.

Mary: Thanks so much.

John: Great. Jane, up next, I have a written question from Brian. How do you know financially when you have the ability to purchase your next property?

Jane: Brian, great question. Understanding this is really important for building your portfolio because it comes down to two things: a) it comes down to what you personally can afford that comes out of your cash flow; and secondly, do you have the deposit and cost to actually purchase a property? These are basic, the two things that any lenders are going to look at when they're assessing people's borrowing capacity: a) can you afford it? and b) do you have the cash to contribute?

You're going to know if you can afford it. And often if you run the numbers—and I run the numbers for people regularly and say, "Can you afford $50 or $100 a week?"—and if your cash flow's in that for a couple of months, then see if it's something that you can actually do. And if it is something that you can actually whilst you're doing your research and looking for a property, then it's about "If you can afford that financially from your own personal costs, then what equity do you have available? Is there equity in a current property that you have or you're going to look at your savings?"

How do you know when you're ready? One, if you can afford it out of your weekly cash flow, and two, if you've got the equity to invest. So that would be the first answer.

John: I can remember learning for the first time that you could tap on property to tap equity and one property to...

Jane: It seems like magic, isn't it?

John: Yeah.

Jane: I think most people think that if they pay one property off, and they're 10, 15, 20 years down the track, now I can think about a second property. If you've got some equity in one property, you can actually use that for deposit and cost to purchase another property.

As I said, I started with $45,000 in 2000. I did my research. I bought my first property in 2001. I did a 9-month renovation that cost me $50,000 that I funded through a personal loan. That property that I purchased went up in value by $275,000. So we're talking about 425,000 up to 700,000. I pulled out equity. I moved it from a 95% loan up to an 80% loan. So left equity in there, pulled out equity. If I did it all again, I'd probably pull out more equity and purchase my next property in that time in Sydney. Did it again, did it again, did it again, did it again. So it just leapfrogged. So other than that first $45,000, I never used my own savings to purchase another property.

John: So one deposit did all of the properties.

Jane: In my book "2 Properties + 1 Renovation = $1 Million in the Bank," you don't have to have hundreds of properties.

John: So just to outline for people that may not have read your book, what does "2 Properties + 1 Renovation = $1 Million in the Bank" mean?

Jane: Really this book is about these people who are having hundreds of properties. I was an engineer, so I do love my Excel spreadsheet and I spreadsheeted it all. I looked at it and thought if I just bought one good property and I waited for growth (because I couldn't afford the renovation) and then I pulled out the money to do the renovation and then I waited more growth.

So buy a property in year zero with either savings or equity from your home. In year 3, spend some money on the renovation. In year 5, have enough equity to buy a second property, then just get on with life.

In that first five years, you've kind of paid your future tax and doing it a little bit tough in finding the properties, and renovating, and maybe saving a bit. The next 10 years up into the 15-year mark, you get on with your own life, the properties are going up in value...

John: Find yourself a new hobby.

Jane: Exactly. It doesn't have to be an active sport and that's what I really love. The whole modeling that I did on that average assumptions, and growth, and average incomes and property prices, and inflation and stuff, got to the point where by just doing the median house price across Australia and buying those two properties at those two points in time, in 15 years' time, if you chose as your exit strategy to sell up everything and put the money in bank, that's a million dollars that you could put in the bank after paying capital gains tax and selling costs and the loans back. And at 5% return, that's 50 grand, 50 grand per annum, today's dollars, with the future dollars obviously inflation applied to it.

John: I like the way you use that. Obviously you could choose different exit strategies or whatever. But using the scenario where if you put it all in the bank and you're just getting interest, you'll get 50 grand a year. It's just a nice, clean target, isn't it, to go for it? It allows you to set your parameters.

Jane: There's different exit strategies. You might sell off some properties and pay others down, which I personally like because I hate the idea of losing future growth through properties. And if I've done all that research to find the growth properties, then that's what I'd like to do.

It's one of those things where it doesn't have to be complicated if you get the right properties to put in your portfolio. This doesn't have to be an active sport. It is a well-targeted decision.

John: Great. I have Robin on the line who has a question about the property market cycle and how to know when it's the right time to buy.

Jane: Hello, Robin. Actually, I recognise your name from the Facebook pages.

Robin: Yes, I enjoy Your Property Success on Facebook. How are you, Jane?

Jane: I'm good. You have a question?

Robin: I do. At the moment, we are perplexed whether to buy now or to wait and see if the market drops at all. What would you suggest?

Jane: A good question, a million-dollar question. Tell me, where about, say you're looking, have you actually targeted an area, or a state, or a city?

Robin: We're thinking Sydney area just because we're trying to get a foot in the door probably for our son down the track.

Jane: Okay. I guess the big answer is that there's different markets throughout Australia. Where one market might still have some legs to it, another market may not. Really being clear on should we wait or should we not is really market-specific. And in actual fact, there's markets within markets. From my point of view should we wait or should we not? I always say, "Get into the market when you can afford it in the best possible place you can afford." Because the whole crystal ball, it may pay off or it may not. I remember talking to a client back in like 2007 and she was saying the Sydney market is overpriced, "I'm going to wait until it pulls back." And I had a talk to her this year and she's still waiting. Sometimes I think you can miss the market as well.

Obviously that's a nine-year gap but I've been talking to clients in Melbourne who might have targeted one suburb and the market in the last three months has moved $50,000 and is now outside their price range and they're potentially a little bit picky with what they were looking at. So sometimes I think that you need to be a little bit more flexible. You need to target your area, based on your price point, obviously based on the key fundamentals that I think make for a good, long-term investment like the capital growth potential, which means the fit property for the demographic and you're having those things to protect your investment. But if you're already primed and you know what your buying criteria is and where you're going to target, Robin, I'd say start doing the work and get in there.

Robin: Sounds great. Great advice.

Jane: Okay. Is this your first investment or have you invested before?

Robin: We've had regional investment properties before and we sold all those up to buy in Sydney. So we've been out of the investment market for a while, but this is our first delve back into it for quite a few years.

Jane: What you'll find in the difference between buying regionally and in the city also is there's usually a lot more information. You might have Dubbo West, Dubbo South, and Dubbo North, but you're going to have maybe 150-200 suburbs that might fit your buying potential in Sydney. What you need to do is really be close with the criteria. So if it's around something for your son and it's around him going to university and be able to live in the property, or him just having something as a fallback for potential wealth, we're talking a long-term investment, the 15-20-year type of investment.

So you've got time on your side, but I wouldn't allow time to be the excuse to be able to buy anywhere. I'd say target the best possible property that's going to allow you to have the growth but potentially allow you to have maybe a bit of a twist in maybe renovating, creating equity, or getting rid of the back block and selling that off, and just having that kind of back-up plan as well for the properties that you're looking at.

Robin: That sounds good. We actually looked at Chippendale about 12 years ago and we're too scared to buy because it was Chippendale, on the verge of registering and we just weren't going, and it was really cheap, and now we're really sorry.

Jane: I did the same thing and my numbers stacked up for Darlington. And it ran into that Eveleigh , Redfern area as well. I believed in the numbers and I bought it. I did that 12 years ago, so around about the same time. If the numbers work out, sometimes you just have to back yourself. That's what I tell my 8-year-old son when he's trying to do his math homework.

Robin: True. And that's why we come to you because you know to take the risk and to back yourself. As someone not as experienced, we don't have that little bit of extra knowledge that might just push us over, so that's why we come to you.

Jane: Thank you, Robin. But remember, it's always a calculated risk. We always make sure that we're minimising the risk by having the research behind us.

Robin: Yes, great.

Jane: All the best with your investment and I look forward to seeing on Facebook what you do.

Robin: Okay. Thanks, Jane.

Jane: Okay, bye, Robin. John, I'd like to share a question that someone sent me today because it's an important question about buying off the plan. This person has purchased my book and emailed. I think that he was a bit surprised that I actually emailed him back. The question was that they had a friend who is about to buy a one-bedroom off the plan unit in middle ring suburb in Melbourne. They wanted to know how that fitted into the Trident Strategy, and if this is a good thing to do.

I guess not knowing any one specific details, etc., I can only give some general comments. We've all heard about the fact that Sydney, Brisbane, and Melbourne CBD, there's a lot of units going up at the moment. In actual fact, the government just announced the fact that they're going to charge a fee for overseas buyers and there will be a penalty if they break that fee. I think it's $10,000 for every million. It's like an application fee that they have to pay and there's a 25% of the value of the property that's charged as a penalty if they've bought a property with not following the foreign investment review board guidelines, and they have to sell the property. They're getting a bit tough on that. There's been a lot of speculation that there's some issues around overseas buyers actually driving the market up. So the government's taking that on board. We'll see how that goes.

Off the plan in middle ring suburbs, one of the things that really triggered my concerns was, once again, straight back down to what we always talked about, John, which is target market. A one-bedroom unit in a middle ring suburb to me does not talk to a target market. Middle ring suburbs are generally families. There are some middle ring suburbs that do have some exceptions to these. Although there's a large demographic move to single person living, most of those single person living is on at least a two-bedroom property. A one-bedroom unit, I don't think middle ring is a target market. So I'd be doing my target market analysis first.

And the other thing about off the plans, and I've had this conversation with John Edwards in Residex over the years. He thoroughly believes that because you're taking a bit of a risk in purchasing a property with sight unseen to some degree and not understanding what could happen in the economy and predictions of growth, etc., which is interesting coming from him, is that off-the-plan property should not be priced higher than their comparable current established properties but possibly lower because of the risk associated.

Often what people think is that they're buying an off-the-plan property at, say, a unit of $400,000. They don't have to pay for it for a year. It's fabulous. They might put down a deposit which means that they don't actually have to put the cash out of their pocket for a year's time, and they sign up for a property.

The thing is you need to anticipate the fact that you're taking out of the market potentially in your borrowing capacity for a year and putting my mortgage broker hat on here because you need to know that if rates change or something changes, you have to be able to commit to fulfilling your agreement in the contract that you've signed. So sometimes you can be out of the market.

The other thing is a lot of the developers work in the future value of the property. So they're like, "It's 400 now, and is comparable for other two-bedroom units in the area, but this is a good growth area. It's brand new," whatever they say in the sales and marketing. Buy it for 440. They've actually anticipated some growth, or maybe 420.

And the other thing with off the plan is often, and during the GFC, sometimes you had to have 50% or even 100% pre-sales. Now it's back to 50%. The marketers had to sell these marketers before they even had approval from the banks to finance them. Sometimes when they get to the end of the properties available they're going to discount those. So that could actually work against you at the end because you've actually got these sale prices that are lower than what you have committed to. There's all these off-the-plan things.

I know people have made a lot of money from off-the-plan properties and there are people who've lost a lot of money. Just be aware of how this fits in to the Trident Strategy. Obviously, buying below the market, not too sure of that. And sometimes, as I said, the developers are factored in at a higher price.

Then we talk about the Trident Strategy number two is adding value in the middle term by renovating. You can't really renovate a brand new property. And three, capital growth. Capital growth is driven by many, many things. But capital growth is driven by, first and foremost, a demand. If your target market or the biggest market in that area does not demand that type of property, then you've missed the target market. So in actual fact we could have failed on three points here on the Trident Strategy.

Basically I suggested that she has a chat to her friend about “is the one-bedroom unit right for the target market?”

John: Okay. I think we can sneak in one more question here, Jane. I remember we still have the competition to come. And I can see some familiar faces standing by. Oh, Lorraine, I'm going to unmute you alone.

Jane: A favorite of ours. Hi, Lorraine, how are you going?

Lorraine: Hello, Jane, John.

John: How are you going?

Lorraine: Good. Thank you.

Jane: Did I see that you've had some developments in your purchasing?

Lorraine: Yes, we're very lucky. It's all under way. Property will be cooling off tomorrow. It's all happening.

Jane: Congratulations.

Lorraine: We're very happy.

Jane: Luck had nothing to do with it. You know that, don't you?

Lorraine: No luck.

Jane: Just hard work and finding the right property. You were thinking about flipping this, I think, last time we spoke?

Lorraine: Yeah.

Jane: Tell us, what's your question?

Lorraine: I was just out of interest wondering how do you work out with it? You should stage the house or not stage it when you sell it? Is it worth it? Is it not worth it?

Jane: I've only ever saw one property and that's happened in the last three months. But John has done this as a flipper many times and we've got a very strong opinion about this, haven't we, John?

John: Yeah. It's a viable renovation. There's the spread of values in the street. If the renovation costs don't aide into any potential profit that you want to make, then it would automatically qualify for me to be staged just about every time I would say. I struggle to think of the case where I wouldn't stage a property for sale unless it was maybe one that I owned already, although some other circumstances granted if I was buying it for the reason of renovating and selling I would definitely stage it. People just haven't got an imagination. You need to provide it for them and paint their lifestyle.

Lorraine: What type of profit do you think you'll get from it? Like if you spend 3,000 on staging, how much more do you expect to get on the other end?

John: If you think about every single, little decision you make in that renovation, like how much does the tap from square to round, how much difference does that make, or how much difference does a window at the kitchen, they're all incremental, and the whole is greater than some of the parts. To me it's one of the big ones. It's kind of staging, painting straight appeal. And there's plenty of other one percenters that you can argue about, like for instance the shower screen, or the type of taps, the type of tiles or whatever, but the staging never gets off my list.

Jane: And you talked to valuers and they say, "Staging doesn't affect our decision." But there is a subconscious kind of connection that you want people to make with the property. And you know yourself, when you're doing inspections and you're walking through that. You got that clunk, clunk, clunk sound of your feet walking on the bare boards. Everything echoes. You're kind of looking at the area going, "Oh gosh, could you put a double bed in here. I don't know." And you walk fairly quickly through the rooms. And next time you do an inspection, go to one that's furnished and you're taking the time in the rooms; mentally you spend more time there. And I think it's one of those, as John said, it's hard to put a number on it. But a property that has been finished well, presents well, sells well.

I've got friends that have borrowed and stolen, down to the fancy towels, from friends and family to stage their property. They've had it on the market unstaged and got a bit desperate, borrowed all the furniture for a weekend and staged it. Who knows whether it was the staging or not, but it has sold really quickly. And I think that it's an investment. If you're going to put all the front effort in, don't give up when you're going for that end run because that's where the cash is as well.

John: It's easy to fall into the trap of “People can see through it, they know what's hired furniture,” or whatever. People buy on emotion; people don't buy rationally.

Jane: And flipping is all about selling to an owner-occupier and getting that emotional connection. John, have you seen the Photoshop staging?

John: Yeah. I think that's brilliant too. We've just sold off the plan and done the whole artistic impressions and so on, which cost hideous amounts of money.

Jane: More money than the actual staging.

John: Yeah, absolutely, Probably the same as staging. And it was the difference between someone looking at a two-dimensional plan or looking at an artistic impression of the lounge room and the facade and so on. I think it makes a huge difference in the presentation.

Lorraine: It's worth it.

John: Absolutely.

Jane: Please, we would love to see. Maybe we can get your before-and-afters onto the private Facebook page.

Lorraine: There will be.

Jane: Excellent. Can't wait. All the best with the coming off tomorrow.

Lorraine: Thanks guys.

John: Thanks, Lorraine. See yah.

Jane: Bye.

Jane: John, that's it. We've just about made it to the end of our very first podcast. Yes, I know, the competition is still to come. A huge first episode, and let me tell you about some of the guests we've got coming up in the next few episodes. Our first guest is Jen Summers. She is a lady that literally changed the lives of thousands of everyday investors around Australia through her books and teaching. She's true, amazing person, great educator, a lovely lady to speak to. I can't think of anyone better to start with. Don't miss that episode.

And then we've got John Edwards, the founder of Residex who virtually is unrivaled in the field of suburb predictions and analysis. It's a wealth of information and someone that we can really tap into. I'm really looking forward to hearing from him.

John: Absolutely. And Peter Koulizos. I'm looking forward to that because he's a developer and he does all sorts of weird and wonderful things, Peter Koulizos.

Jane: The property professor from South Australia.

John: That would be great.

Jane: He's a great guy and a really good friend of ours. And then...

John: Bernard Salt.

Jane: He's probably Australia's best known demographer and social commentator. You probably read him in the newspapers in the weekends. He's on social media. He's out there, but he just shares and give such clarity on interpreting the census information on demographics and what the population wants.

John: All very useful stuff that we can use as investors to our advantage.

Jane: Lots more to come.

John: Jane, I think it's time. Are you ready?

Jane: Oh gosh, yes.

Narrator: Ladies and gentlemen, it's time to play Suburbs Against the Clock. The rules are simple. To play, all you have to do is answer a question about 10 suburbs in the city of your choice within 20 seconds. The lucky winner of Suburbs Against the Clock will win one year's free access to Your Property Success Club.

Your Property Success Club is an in-depth monthly master class which gives you the practical tools needed to grow your portfolio yourself without having to spend a fortune on expensive seminars, or even leaving your own home. Plus, you will have the help and support of a community of fellow like-minded property investors and full access to Your Property Success Club private Facebook group. Your Property Success Club includes 12 months of video training, plus a complete library of past webinars and live events and, most importantly, the top tools Jane has used to acquire her property portfolio over the past 15 years.

So, who do we have standing to play Suburbs Against the Clock?

John: We have Rommel standing by, our very first contestant. Rommel, hello.

Rommel: Hello.

John: Wonderful.

Jane: The rules of the game.

John: The rules of the game are we're going to ask you a question. Firstly, what city would you like to answer for?

Rommel: Let's go with Sydney.

Jane: Good choice. Because if you didn't choose in 10 seconds, the default is Darwin.

John: Yes, that's right. We're going to ask you a question in a second, Rommel. You're going to have to answer with 10 suburbs in Sydney that match this criteria that we're going to ask you. It's not too hard, but you only got 20 seconds to do it.

Jane: Twenty seconds on the clock.

John: Tight.

Jane: You've got the rules?

Rommel: I got it.

John: Is that clear enough?

Rommel: Yes, it is.

John: All right. Jane, do you want to ask the question or am I going to ask the question?

Jane: This is all you, John.

John: Okay. Rommel, can you name 10 waterfront suburbs in Sydney?

Rommel: [Unintelligible], Bondi...

Jane: Keep going.

Rommel: Mosman.

John: Ten seconds.

Jane: Clovelly.

Rommel: Bronte.

Jane: Six, so close. But you know what? Because you're the first ever to do this competition, we're going to give him a whole year's access anyhow. Can we?

John: Yeah.

Jane: Okay. The rest of you get ready, because the questions get tougher. But, Rommel, please put in your details into the chat box because we'll be sending you access to that.

Rommel: Lovely. Thanks very much.

John: No worries. Thank you. And if you would like to be a contestant on Suburbs Against the Clock email...

Jane: Or you have an idea for Suburbs Against the Clock...

John: Oh, yeah, because we're going to run out of ideas pretty quickly.

Jane: Very quickly.

John: Yes. Email support@yourpropertysuccess.com.au. That's support@yourpropertysuccess.com.au.

Jane: And look, guys, if you want access to the transcript of today's show and all of the show notes and links to everything we've mentioned in the show, including a video on the dot map even, then simply go to yourpropertysuccess.com.au/ep1. That's yourpropertysuccess.com.au/ep1. And you'll also find some pretty pictures of John's box in the back there as well, so lots of great content on that site.

That's it for today, guys. Stay safe. And as always, here's to your property success.

Narrator: Ladies and gentlemen, it's important for you to understand that you need to take care in applying what you've heard on this podcast to your own personal circumstances. Everyone's situation is different. And while we go to great length to ensure that everything we share is accurate, the information in today's podcast was based on personal experiences and opinions and is not intended to be specific to your circumstances. We are not real estate agents, financial planners, lawyers, or accountants, and are not liable for any loss, damage, or misunderstanding caused by reliance on any information provided or inferred. We highly recommend you seek out the services of a professional or mentor to help chart your own path to property success. How was that?

John: Great. Thanks, John. I think we're all done.

Narrator: Do you think I placed enough emphasis on the "We are not real estate agents" line? I really don't want anyone to think that we're real estate agents, you know what I mean?

John: Yeah. I think you nailed it.

Narrator: Really?

John: Yup.