Road Map

WITH TODD POLKE
NSW HEAD COACH AT POSITIVE REAL ESTATE

After making a large sum of unexpected money from his first dabble in property investment, **Raj** has since snapped up four more homes but has reached the limits of his borrowing capacity. *Smart Property Investment* met up with Raj to assess his options

CLIENT
RAJ

Occupation: Financial analyst
Age: 32
Properties: 4
Estimated portfolio value: $1.8 million
Children: One daughter, aged seven months
Income: Medium income earner
Goal: Financial freedom before age 40

RAJ

"I bought my first property a little over a year ago and managed to resell it for around $200,000 above market value. After this initial taste of property investment, I've made it my goal to increase my property portfolio to the point where I'm financially free. My goal is to achieve this before I am 40, and I'm currently on track. Once I achieve my goal, I plan to do some travelling. I don't like to sit at home doing nothing, so I might also start a business or something similar."

THE BEGINNING

Raj has always had a soft spot for property investment but despite his background in finance and analytics, he admits he didn't have a clue where to start.

But, believing the best way to learn is to get into the thick of it, Raj decided to purchase a block of land unaided in 2010.

"Initially I intended to build on it, but I needed more money to build the house and I ended up selling the land in January last year," he explains.

With his ageing father, Alfred, reaching retirement, Raj decided to buy the family home from his father instead. Despite purchasing the family property instead of making an investment purchase, Raj was still determined to get into investing.

"I called up the bank and told them I wanted to invest in property. They said 'Good, but you can only get $350,000'. So I started looking online for an investment property around that mark and I found one in Melbourne," he recalls.

While tempted to seal the deal in Melbourne, Raj returned home to complete his due diligence.

"It was then that I saw a YouTube

video with Jason Whitton from Positive Real Estate, talking about reducing a home loan in six years – which sounded good," he says.

The analytical side of Raj came out as he ran through the figures proposed in the video. And to his delight, they added up.

"I ended up looking at all of the videos of Jason Whitton and Sam Saggers, and ended up at a seminar where Todd Polke was speaking. That's where I met Todd and it all started," he explains.

A PERFECT OPPORTUNITY

Raj recalled his father's neighbours asking if he was interested in selling years before, but Alfred had said 'no'.

Raj discovered the neighbour owned quite a bit of land around his newly acquired house, and so he wondered how far he could push the envelope.

"I knew he wanted to buy the house because he owns three properties next to it and unless he buys this one, he can't do anything with them," he says.

After asking for what he describes as a "ridiculous price" – nearly double the property's value – Raj ended up settling for a lot more than he expected.

"I ended up selling for somewhere between $200,000 and $250,000 higher than the property's value," he says.

Raj's previous predicament of having a borrowing capacity of just $350,000 became non-existent, as he and Mr Polke went on a buying spree.

"I also moved in with my dad, which increased my serviceability," he says. "But I mainly did that because he was alone and he was living in a really big house!"

THE DEALS

Mr Polke helped guide Raj through his next three deals, with the ultimate strategy of acquiring cash-flow positive properties in a range of different environments.

"The idea was about targeting really strong growth areas to increase equity, as well as targeting really strong cash flow so the serviceability stays strong and we can keep moving forward year after year," Mr Polke explains.

DEAL ONE

The first deal they targeted was a blue-chip off-the-plan deal in the Kurv, Newstead, according to Mr Polke.

"The reason we targeted that area is because it's going through a massive gentrification right now and it's changing from an industrial-style area to a more inner-city, chic living area," he says.

The two-bedroom unit was bought for $590,700, to be finished in the next 18 months.

"We managed to negotiate a five per cent deposit on that, so we only put down five per cent for control of a piece of real estate for the next 18 months," Mr Polke says.

Mr Polke believes the unit will be able to fetch a rent of $700 to $750 after furnishing it, giving a yield of around 6.5 to 7 per cent straight off the bat.

DEAL TWO

The next deal was a bit closer to home for Raj, but still half a state away.

"We bought an existing property in Birmingham Gardens, near Newcastle, for $385,000 with a rent of $500 a week, which gives us about a 6.8 per cent rental yield," Mr Polke says.

According to Mr Polke, targeting positive cash-flow properties was a priority in Raj's situation in order to make the most of the favourable circumstances he'd experienced.

"We didn't want to just do a few deals and run down his serviceability and be done and dusted again," explains Mr Polke. "Getting that $200,000 over value, we needed to make the most of that money."

DEAL THREE

The third property was purchased back in Queensland, targeting a mining growth region.