INVESTOR OF THE 2012

Our fifth annual Investor of the Year Award has revealed some of the country's most shrewd investors yet, as we present the property powerhouses who are showing the rest of Australia how it's done

Crack *the c*hampagne, cue the confetti and make noise: It's *Your Investment Property's* favourite time of the year again.

This issue we unveil the winner of the fifth annual Investor of the Year Award, where we honour Australia's finest property investor as well as a handful of other investors who have made considerable achievements in their property investment adventures.

These are ordinary, everyday Australians who have chosen to make a difference in their lives through property investing. By showing fortitude, the willingness to take risks and a sense of the gigantic opportunity that is Australian property, they've strived ahead and offer a shining example of how to succeed.

This year, we have been overwhelmed with the sheer quality of the field in our search. It's been tough for our judges to make a decision among the many great investors who have submitted entries for the prestige of being crowned Investor of the Year, but the results are finally in.

Your Investment Property is pleased to present to you Kate and Matt Moloney as this year's winner of the award. This young couple wowed our judged with their awe-inspiring ability to get together property finance, even in times when they've been without savings or equity.

Congratulations also go to the award's runners up: Nathan Birch and Garry Harvey. Nathan, as first runner up, has shown how a strategy centred on cash flow can work wonders while second runner up Garry is an example of how a business approach to investing can score big returns and capital growth.

A special mention has also been extended to Slavko Visevic and Marissa Schulze, who have both been involved in some amazing property deals. This has netted them a "Highly Commended" honour, along with some additional prizes.

YEAR AWARD

The judges

Lending *Your Investment Property* a hand in selecting the winners were the judges of 2012's award

Gavin Taylor and Keith Franklin, Metropole Property Strategists
A trained architect, Gavin Taylor has an MBA and has worked with major property developers in Australia and South Africa. He applies his lessons and experiences as a property investor to help clients take on similar investment strategies.

Keith Franklin is a former New Yorker within Metropole's Melbourne office, using his considerable real estate experience in both the US and Australia to give Metropole clients a fresh perspective on property investing. Visit metropole.com.au

Tim Lawless, head of research RP Data
Tim Lawless is a leading expert on the Australian property market. In his current role as RP Data's head of research, he specialises in real estate trends. Visit myrpdata.com

Tyron Hyde, director, Washington Brown
Tyron Hyde has over 15 years' experience in the construction and development industry and is considered a leading expert in property tax depreciation, having regularly presented at industry conferences on the subject. Visit washingtonbrown.com.au

John Kovacs, managing director, NMD Data
John Kovacs is a former real estate agent and the principal of a Noel Jones franchise in Victoria. In 2006, he started NMD Data, Australia's only comprehensive database listing mortgagee foreclosure, deceased estate and housing authority properties. Visit nmddata.com.au

David Hows, managing director, Real Estate Investar
David Hows founded Real Estate Investar in 2006 out of a desire to empower investors to make smarter, more profitable, investing decisions. He bought his first house at the age of 19 and has been developing, renovating and subdividing property since 1999. Visit realestateinvestar.com.au

How the winners were picked

Investing in property is an emotional decision and it isn't all about the numbers. In addition to looking at the size of each investor's portfolio and rental returns, we also examined how they conduct their investment activities.

The winners in the Investor the Year Award reflect, not just investors who have made money, but those who have made it big by thinking outside the box. Lifestyle matters. Ethics and attitude matter. As a result, each of our judges were encouraged to consider:

- Entrepreneurship
- Overall strategies and property selection criteria
- Contributions to other people
- Risk management
- Innovation
- Financial skills
- Success against the odds

From among the record number of investors owning more than one property who entered the competition, our judges singled out these candidates:

	Kate and Matt Moloney	Nathan Birch	Garry Harvey	Slavko Visevic	Marissa Schulze
David Hows	1	2	-	-	3
John Kovacs	2	1	-	-	3
Gavin Taylor and Keith Franklin	1	-	2	-	3
Tim Lawless	1	-	2	3	-
Tyron Hyde	1	1	-	-	-

Winners

Kate and Matt Moloney

Australia's newly crowned Investors of the Year tell *Aidan Devine* how no one took them seriously when they started, how they're retiring aged 24 and why they have a knack for making a killing out of property

When Kate and Matt Moloney loaded the boot of their car to make a new start in Moranbah, Queensland, they weren't sure what to expect. They had just left good jobs in regional Victoria and had no idea if they would find employment or accommodation at their destination. Undeterred, they took the 2,500km journey anyway.

They win

A prize pack worth $17,146 including:

- $5,000 cash from Crawford Realty and *Your Investment Property*
- A 12-month Real Estate Investar 'Premium' membership valued at $2,988
- A tailored risk profile and strategy plan by MyProp Mentor Me valued at $2,500
- A selection of reports from Washington Brown valued at $2,360
- My Knowledge access from Real Estate Investar valued at $850
- A 12-month membership to MyProp.com.au valued at $259
- A selection of reports from RP Data valued at $200
- A 12-month (platinum) membership to NMD Data valued at $199
- A 12-month membership to HomeSource Access valued at $110
- A 12-month subscription pack including *Your Investment Property* and *Your Mortgage* magazines worth $180

The move was guided by an ambitious goal. Kate and Matt had been investing in property for just over a year but had reached a critical point in their quest to build a portfolio big enough to retire on. Unable to save up fast enough to get more loans, and realising they could perhaps triple their income by working in mining jobs in Moranbah, they decided the small Queensland town was the answer to their problems.

There was just the fact that they didn't know all that much about life there. Like many mining towns, Moranbah had a reputation as a far from ideal place to live, the kind of town where heat mutes human movement and broken glass litters the footpaths. Then there were the town's roads, which rumour had it were a giant trap. People arrived, drove through a labyrinth of circles and never knew how to leave.

"Some could say it was a risky move, but we figured we had nothing to lose," says Matt.

"We wanted to substantially increase our incomes and we figured that one year of working and saving in Moranbah would be the equivalent of three years working in Victoria."

Kate adds that they had a goal and stuck with it. "We wanted to be able to retire as soon as possible, but moving to Moranbah wasn't just about getting higher paying jobs. We identified the town as an ideal place for investing in property."

Invest in property they have and the couple's move to Moranbah – as it turned out, a pleasant family-friendly town – has been more than rewarded. From this Queensland mining town, the couple have built a portfolio of 16 properties with an estimated total value just shy of $8.5m. This currently pockets them over $570,000 in annual rental income and they're expecting considerably more as some development and renovation projects come to fruition.

The truly remarkable part is that both are just aged 24 and now in a position to semi-retire. "We've done the hard yards, starting our investing when we were teenagers, and now we just want to enjoy ourselves," says Kate.

That Kate and Matt have had such profound property successes at such an early age has left our judges visibly impressed. For this reason, the couple have been voted this year's Investor of the Year – with all the bragging rights that come with it.

Starting regional

Kate and Matt say they started their investing as a rather typical young couple. "We wanted to buy our own home and we thought the sooner we did that the better," says Matt.

At the time, Matt was 19 and Kate

> Kate and Matt have built a portfolio of 16 properties with an estimated total value just shy of $8.5m

was 20. They had been together for just over a year and, although Matt was at first reluctant to get into debt so young, they had both crunched the numbers and realised that purchasing a property together wouldn't impact their lifestyle too much. Both had full-time jobs. Matt was working as a fitter, while Kate was working at her family's dairy farm in between studying a bachelor of commerce at university.

The two decided to purchase a block of land close to where they lived in Warrnambool, Victoria. The idea had been to take advantage of first homebuyer grants as well as the stamp duty savings they would get by

Judges' comments

"At just 24, Matt and Kate have achieved more than most investors do in a lifetime. They've shown significant skills across investment strategies and have seen amazing results. They also have a plan to ensure this is just the start." **– David Hows, Real Estate Investar**

"Matt and Kate's strategy has the need for a specific location, in this instance Moranbah. This has proved a very successful target market for them. They've obtained knowledge from the right sources and tapped into their experience to strengthen their decision making. You can't beat that!" **– John Kovacs, NMD Data**

"They picked the market cycle in Moranbah well, purchasing their properties in the early part of what turned out to be a very strong growth phase. The Moloneys were innovative in their initial funding and have made hay while the sun shines, diversifying as the mining sector slows down." **– Tim Lawless, RP Data**

Judges' comments

"Matt and Kate have built a substantial portfolio by finding creative ways to obtain funds and complete developments. Using JVs, treating their portfolio as a business, and negotiating win-win situations for their partners allowed them to aggressively enter the market at just 20 years."

– Gavin Taylor and Keith Franklin, Metropole

"It's obvious that Matt and Kate are on the path to glory! They have clear goals and stick to them, in fact, beat them. I particularly like the 'de-risking' strategy they are aiming for now, replacing mining income with more secure and diverse areas."

– Tyron Hyde, Washington Brown

> "If we rented out the house we'd be able to increase our borrowing capacity… and write off property expenses"

building a property instead of buying an existing one.

The couple contributed $50,000 of savings into the property and settled on the purchase in October 2008, but it wasn't until four months later that they considered turning it into an investment property.

"I had read Robert Kiyosaki's *Rich Dad Poor Dad* when I was 13 and had always believed in acquiring wealth-producing assets," says Kate. "We realised that if we rented out the house we'd be able to increase our borrowing capacity for future investments and could write off many of the expenses of the property as tax deductions."

The three-bedroom house was completed in July 2009 and because Matt and Kate had been saving up $1,000 a week in between settlement and completion they now had close to 50% equity in a property purchased for $267,000.

Picking up steam

This early success prompted them to dip their feet deeper into the property market. They began searching for their next investment in Warrnambool and got stuck into the due diligence that would be required.

This alone was something of a challenge. "Because we were so young a lot of real estate agents didn't take us seriously," says Matt. "They'd meet us and would eventually ask the question: 'can you actually afford this?' "

Kate says this forced her to get creative. "I started dressing up in business suits and carrying around a clipboard. Suddenly, the agents started assuming I was a fund manager or something like that. No one doubted us again," she says.

Using $17,000 in additional savings, the couple eventually settled on a

A snapshot of Kate and Matt's portfolio

Location	Type	Date	Purchase price	Current value	Rent (pw)	Yield
Moranbah	Duplex	2009	$475,000	$650,000	$1,800	14.4%
Moranbah	6-bed house	2010	$475,000	$680,000	$3,000	23%
Fitzgibbon (JV)	3-bed house	2010	$440,000	$455,000	$450	5.1%
Townsville (JV)	4-bed house	2010	$450,000	$450,000	$450	5.2%
Mackay (JV)	3-bed house	2010	$460,000	$500,000	$750	7.8%
Moranbah	3-bed house	2010	$472,000	$500,000	$500	5.2%
Moranbah	Triplex	2011	$445,000	$645,000	$1,400	11.3%
Moranbah	Triplex	2011	$445,000	$645,000	$1,400	11.3%
Moranbah (JV)	Duplex + triplex	2011	$685,000	$580,000	PPOR	n/a
Mackay	Duplex	2012	$215,000	$260,000	$630	12.6%
Mackay	Duplex	2012	$215,000	$260,000	$630	12.6%
Miles JV	3-bed house	2012	$345,000	$400,000	Under reno	n/a
TOTAL			$5,122,000	$6,025,000 ($900,000 in estimated equity)	$11,010	

Sold property

Location	Type	Date	Purchase price	Sales price	Date sold
Warrnambool	3-bed house	2008	$260,000	$315,000	2012
Warrnambool	3-bed house	2009	$315,000	$357,000	2012

Under construction

Location	Type	Purchase price	Estimated value
Moranbah	Duplex	$340,000	$600,000
Moranbah	Duplex	$340,000	$600,000
Moranbah (JV)	Duplex	$320,000	$600,000
Moranbah (JV)	Duplex	$320,000	$600,000
Total			$2,400,000

house and land package which they purchased for $324,000 (97% LVR) in 2009. Kate says that in retrospect it was a mistake.

"We made money from it, but we were investing in Warrnambool because we felt comfortable there. In reality, we should have invested somewhere else, somewhere that would give us much better returns and capital growth."

Money in Moranbah

Scouring the country for the best returns and promise of capital growth, Kate and Matt learned of Moranbah and the hotbed of real estate activity that was happening there as a result of the mining boom.

They decided to purchase land and build on it, aiming mostly for a high cash flow investment. The day after their offer was accepted, tragedy struck when Kate, who had moved on from the dairy farm, lost her job. "We could no longer finance the purchase of the property on our own," she says.

Not wanting to walk away from the deal, the couple found a joint venture partner. They would contribute the 10% deposit on the property, while their partner would provide bank funding. They also decided to change their strategy. Instead of building a house, they realised they would get far better returns by constructing a duplex. "We split the deal 50:50. We got one duplex and our partner got the other," says Kate.

The result was an overwhelming success. Built for $475,000, the property is now valued at $650,000 and nets Matt and Kate $1,800 in weekly rent.

Making a move

Seeing what was possible through property investment, Kate and Matt made a critical choice. "Our goal at that stage was to achieve $100,000 in passive income by 2014. We realised that if we wanted to do that, we'd need to increase our income so that we'd be in a position to borrow more and purchase more properties," says Kate.

"Our families we're initially a little concerned when we said we were solving the problem by moving to Moranbah," says Matt. "Back then, I had a decent job in Victoria and, you know, your family just wants to protect you. They want to make sure you're doing the right thing."

Kate and Matt consoled their families with an insistence that they knew what they were doing. By moving to Moranbah at the start of 2010, they'd be in a better position to arrange property deals throughout the

Timeline

- **2008:** Kate and Matt purchase their first property, a 3-bedroom house intended to be their residence, but they quickly turn it into an investment.
- **2009:** The couple uses additional savings to purchase a house and land package in Warrnambool. They also decide to invest in Moranbah via a joint venture.
- **2010:** Kate and Matt move to Moranbah and find jobs six weeks after arriving. Having tripled their income, they pump their savings into additional purchases, using joint ventures to fund projects whenever they run out of savings or equity.
- **2011:** The Moloneys initiate their most profitable deal to date, manufacturing $600,000 in instant equity over a year. They also plough themselves heavily into development, confident in their ability to generate huge profits.
- **2012:** Kate and Matt prepare to leave their jobs, having accomplished their goal of earning $100,000 in passive income by the age of 24.
- **2013:** The Moloneys are crowned Your Investment Property's Investor of the Year 2012.

> "There were many times that we were low in equity. As a result, we had to find development deals that would give us, not only cash flow, but capital growth as well"

whole central Queensland region and would have much higher incomes to support their ambitions. They loaded the car and never looked back.

Destination reached

Arriving in Moranbah, Kate soon found work as a dump truck driver and Matt as a fitter. As it turned out, the town had more than enough to keep them occupied.

"A lot of what you hear about mining towns – that the only thing to do there is go to the pub – that's not quite true," says Matt.

"For us, we found there was plenty to keep us busy. We set our sights on some big property deals there and this took up a lot of our time."

Kate adds that they have a very particular strategy. "Our initial aim was to invest in mining towns and once we had achieved our passive income goal, we would then focus on blue chip capital growth properties to lower our risk and diversify our portfolio," she says.

Kate adds that before making any moves they always analysed their figures. "We needed to buy a lot of properties but there were many times that we were low in equity. As a result, we had to find development deals that would give us, not only cash flow, but capital growth as well. This motivated us to do a lot of our deals through joint ventures whenever we didn't have enough equity."

Getting better

In fact, it is through joint ventures that Kate and Matt have had some of their most profitable deals.

A case in point is a Moranbah deal they got involved with in 2011. "After some research, we discovered that we could build units for roughly $300,000 each and get a bank valuation after completion for $600,000. Unfortunately, at the time we didn't have the required equity to do such a deal, but we had the knowledge and experience of how to do it, as well as strong borrowing capacity," says Kate.

The couple sourced a joint venture partner who had the cash, but no time or borrowing capacity for such an investment. The partner put down the deposit, while Matt and Kate borrowed the money and managed the construction.

It ended up being a bigger project than they anticipated, costing $300,000 for the land and $920,000 for constructing a triplex on it. The total cost of the land, construction and additional costs came in at $442,000 for each unit, but a bank valuation showed them to be worth $645,000 each.

As a joint venture, they made more than $600,000 in instant equity over the space of 12 months, according to Kate, who adds that each unit is now rented at $1,400 per week. This takes the couple well into positive cash flow territory.

"Our partner got a cash flow positive unit, plus all her deposit back, plus a substantial amount of equity in her unit," says Kate. "We ended up with two of the three units, positively geared with a substantial amount of equity, all for no money down."

Moranbah JV triplex

Total cost	$1,326,000
Valuation at completion	$1,935,000
Equity 'manufactured'	$609,000
Annual rental income	$218,400 (on all 3)
Maloney's initial money down	$0

Branching out

It hasn't just been in Moranbah that Kate and Matt have done power deals. In 2012, they turned to Mackay, another prominent mining area on the east coast of Queensland.

Kate says they instantly spotted an opportunity there. "There is a severe shortage of all types of rental accommodation in Mackay, but we noticed that a lot of the local motels were constantly booked out and we found from local business owners that they were knocking back work proposals because they couldn't house their staff.

"We thought there may be an opportunity for fully-furnished rental accommodation. We interviewed a few property managers but they all said fully-furnished properties were a bad investment because the numbers didn't stack up.

"Eventually we found a local property manager who said she was getting $570 a week for furnished two-bedroom units. She suggested we locate a centrally-positioned unit with two bathrooms, which we did. We found a cheap two-bedroom duplex that needed renovating. It had been on the market for months and we were able to negotiate a good discount."

Kate and Matt bought the duplex for $430,000 and spent $100,000 on a renovation, along with $12,000 furnishing both units.

Within a week they secured a corporate tenant for $630 a week, well beyond their expectations. At $630 rent per week for each unit, Kate and Matt are getting $20,000 in passive income each year.

The future

Having reached their goal of earning $100,000 passive income two years early, Kate and Matt are looking at the future with a lot of optimism. "We're heading on our first round-the-world trip – business class," says Matt. "We're quitting our jobs and heading to Africa, North America and Europe for a well-earned rest."

Kate adds that she is finding it hard to contain her excitement. "For the last couple of years we have lived our lives far from your typical young couple," she says.

"We haven't partied hard, or spent all our money drinking or buying clothes – we've been very responsible. We feel that now it is for us to reward ourselves."

Runner up Nathan Birch

A $10m portfolio, 72 properties and $700,000 in rental income – all started with a $30,000 wage at age 18. Meet Australia's new property titan. *Aidan Devine* reports

In mid-2009 Nathan Birch readied himself for a day that would change his life. In some ways it wasn't too different from his normal routine. The 24-year-old woke up, shaved and ate breakfast. He dressed for work and ran a comb through his hair. Before heading out the door, he gave himself one last look in the mirror.

His reflection showed the life he had lived up until that point. Here was an ambitious man, suit and tie and every bit the model of a young, hard-working employee. He gazed upon this image as if it was the last time he'd see it. This, he realised, was what he was throwing away.

"I remember it quite clearly," says Nathan. "That day I arrived at work and instantly met with my boss. I told it to him straight. I said I was quitting and wasn't coming back. I also said something I don't think he'd ever heard before. I said I was never ever, ever going to work a job again."

Nathan adds that some predictable questions followed. Was he crazy? How would he support himself? What if something went wrong? Was he really throwing away a decent salary to do … nothing?

It made Nathan pause for thought. How had this all become possible?

Nathan wins

A prize pack worth $5,355 including:

- $1,000 cash
- A 12-month Real Estate Investar membership valued at $1,788
- Two full depreciation reports from Washington Brown valued at $1,320
- Metropole's Mentored by the Property Master nine-CD set valued at $299
- A 12-month membership to MyProp.com.au valued at $259
- A selection of reports from RP Data valued at $200
- A 12-month platinum membership to NMD Data valued at $199
- A 12-month membership to HomeSource Access valued at $110
- A 12-month subscription pack worth $180 including *Your Investment Property* and *Your Mortgage* magazines

A journey starts

Nathan was born the youngest in his family and from an early age noticed that he was a little different from those around him. At age 13, he started developing a unique obsession, one that was totally out of fit with other boys his age. While they chased girls, sports teams, cars or comics, Nathan's passion was single minded – property.

"My brothers were much older than me and around this time they were starting to buying houses. I stumbled upon a *Homes Pictorial* magazine and started liking it. I kept reading the magazine and began picking up other issues from the shops whenever I could. I used to think to myself how cool it would be to own a property. It just became an addiction from there. People have hobbies and that was mine," Nathan says.

Unfortunately, his interest in property came at the expense of everything else. Nathan admits that he had terrible grades in school, and neither enjoyed nor had any interest in it. When it came time to choose a career, the young Nathan decided to opt out. At age 17, having just finished Year 12, he thought it would be pointless to follow any pre-determined path to a profession. This put going to university totally out of the question.

"I thought a bit differently from other people," he says. "All I wanted to do was get an income so that I could get my hands on assets, properties. I felt that I had armoured myself with investment research and knowledge all through my teenage years and that I didn't need a profession, I needed a wealth creation plan."

Nathan adds that his family's experiences helped motivate the decision. "My father died when I was young. He worked hard his whole life. He did the so-called right thing, but he didn't enjoy it. I mean, we were happy enough, but he didn't acquire all the things he should have had in life, what he deserved. I decided early on that I didn't want to be like that."

Leaving school

Nathan's first job after leaving school was as a run-around at a real estate office. He had decided to do this partly as a way to get closer to his goal of property investing. The job brought him into direct contact with real estate agents and property managers, who needed him to run errands, put up signs outside properties and show people around.

> "I used to think how cool it would be to own a property. It just became an addiction from there"

It was unfulfilling work, but Nathan says it taught him a lesson. "I realised just how hard real estate agents have it," he says. "They work long hours and many of them aren't even property owners themselves. I learned what they look for in a sale and I think this has made me a good negotiator. I learnt a lot about the way they think."

Following this, Nathan took a job selling advertising, working nights

Judges' comments

"Nathan, what a story! This get-up-and-go guy has amassed 72 properties and he's the ripe old age of 27! Nathan is one determined individual and I think we could all learn from his motivation."
– Tyron Hyde, Washington Brown

"Nathan has demonstrated that he is a very driven individual. What really stood him out from the field was his determination, researching at age 13 and buying property as soon as he turned 18."
– David Hows, Real Estate Investar

"A business structure attitude sets a very strong foundation to grow Nathan's portfolio. He combines that with entrepreneurial flair and a deliberate investment strategy. I have no doubt that he is on the right path to achieve and maintain his financial success."
– John Kovacs, NMD Data

and weekends at a pub. It left him exhausted. "I remember one year, I only had seven days off in the entire 12 months," he says.

In the meantime, Nathan directed almost all his money into saving so that one day he could start buying properties. "I used to be the biggest tight arse you'd ever meet," he laughs. "I'd skimp on food and buy the bread that had gone slightly off just to save a couple of dollars and have more to put towards property.

"Many of my mates were going on overseas trips or partying. I didn't see the importance of going out and spending cash, not then. I had one important goal and that was to save a deposit so that I could do my first property deal."

Die hard as it was, Nathan's saving strategy worked. Having already saved up a lot of money while working part-time jobs as a school student and with his subsequent full-time jobs netting him even more savings, he had enough money to put down a deposit on his first property at just 18-years-old.

Nathan's portfolio summary

Properties	72
Total value	$10m
Total rental income	$742,000
Net equity	$5m

A new investor

Nathan's first property purchase was in Mount Druitt in Western Sydney. He had grown up around Sydney's Parramatta area and knew the location well. It was also in line with his budget, but had rents high enough to give him a decent flow of cash.

"It ticked all the boxes. Still, I had massive buyer's remorse after purchasing it. I had no mentors and no one to help me. I kept thinking to myself 'what have I done?' It took some time for me to convince myself I was doing alright. Logic soon set in. I reminded myself that the property was bought below market value and was in a good area for investing. The rent would take care of itself and even if by some strange chance I had to sell, I'd still make money on it."

It's a strategy Nathan has used ever since. Initially with a goal to purchase 10 properties by age 30, Nathan sought out high yielding properties. They had to be in lower priced areas that looked assured of property price growth, where he could use his negotiating and research skills to buy below market value.

With his staunch savings regimen intact, Nathan soon had enough money to put down a deposit on his second property – again in Mount Druitt. The Western Sydney area, in fact, would be the location of his next three properties, also purchased using a 5% deposit that the bank was happy to provide him with because the cash flow on each property was good.

By the time Nathan was looking at

A snapshot of Nathan's portfolio

Location	Type	Purchase date	Purchase price	Current value	Rent	Yield
Mount Druitt	House	2004	$248,000	$420,000	$590	7.3%
Mount Druitt	Villa	2005	$130,000	$220,000	$290	6.9%
Mount Druitt	Unit	2006	$159,000	$240,000	$320	6.9%
Bateau Bay	Duplex	2006	$173,500	$270,000	$330	6.4%
Mount Druitt	Villa	2006	$140,000	$240,000	$320	6.9%
The Entrance	Unit	2009	$135,100	$230,000	$270	6.1%
Orange	House	2009	$55,000	$150,000	$220	7.6%
Moree	House	2009	$22,000	$160,000	$220	7.2%
Mount Druitt	House	2010	$205,000	$290,000	$360	6.5%
Kempsey	House	2010	$8,500	$150,000	$250	8.7%
The Entrance	Unit	2010	$212,100	$300,000	$340	5.9%
Cairns	Unit	2011	$20,000	$65,000	$170	13.6%
Cairns	Unit	2012	$55,000	$120,000	$200	8.7%
Nowra	Villa	2012	$94,500	$150,000	$220	7.6%

acquiring his sixth investment, he was faced with a problem.

"When I bought my first property I was earning about $30,000 a year, so I was able to get a loan from the bank. I couldn't see how I would be able to buy more than one property then, but I bought it and just did what I could to increase the cash flow and save up for the next one. I worked harder and harder, pushing myself to be able to purchase more properties, but my family was getting concerned.

"My family didn't like debt. Even today they think I am silly for buying lots of properties, but back then they were scared for my wellbeing. My mum urged me to stop. She said, 'Nathan, you shouldn't buy more'.

"In reality, my cash flow was good, so I was still in a strong position, but I couldn't keep saving for a deposit, buying and then saving again. I had to do something different."

Different approaches

It turned out that Nathan had built up enough equity at this stage, thanks largely to a small renovation project he undertook on his first Mount Druitt property, to be able to tap into $50,000 worth of equity. This he used to leverage into two more purchases, once again in Western Sydney. It was thus that he had acquired eight investment properties, touching equity only once.

It also helped that by the age of 21 he was earning a lot more than when he started buying property. After clawing his way through the corporate world, Nathan was getting close to earning $100,000 a year in income, which further boosted his ability to keep on saving.

"I think by this stage I was better at

Timeline

1998: Nathan first develops a love for property just as members of his family are getting into the property market

2004: Having only recently finished school, Nathan purchases his first property in Mount Druitt while earning just $30,000 pa

2005: Saving vigorously, working two jobs and clawing his way up the corporate ladder, Nathan starts amassing more and more properties

2009: Nathan's passive income from property is significant enough for him to leave his job, aged just 24

2010: Nathan starts publishing YouTube videos of his investment experiences and realises that he enjoys guiding other investors through property strategies

2013: Along with other prominent investors, Nathan continues to operate B-Invested, an organisation of investors aimed at helping fledgling investors succeed

> "I treat my property portfolio like a large company with systems and procedures in place, where a strong foundation is necessary for success"

the investment game," Nathan says. "Initially when I was buying properties, there was a lot more emotion involved. By this later stage, it had become more about the numbers. You get to a point where you realise the property is going to make money and it doesn't matter what it looks like."

His growing confidence meant that by the time Nathan had gone over 10 property purchases, he felt it was time to branch away from the Western Sydney area. His next targets included Orange, Tamworth and other regional NSW towns.

The strategy – buying under market value and focusing on cash flow – remained the same.

"I kept the formula because I thought of investing as a business. I still do. I treat my property portfolio like a large company with systems and procedures in place, where a strong foundation is necessary for success. I've spent years

Nathan's best deals

Location	Type	Year	Purchase price	Reno costs	Current value	Rent	Current yield
Mount Druitt	Villa	2007	$137,000 (vendor had paid $320k 18 months before)	n/a	$230,000	$320	7.2%
Cranebrook	3-bed house	2008	$234,000 (market value was $300,000)	$12,000	$400,000	$400	5.2%
Carramar	2-bed unit	2009	$106,000	$14,000	$240,000	$290	6.3%
Muswellbrook	3-bed house	2011	$105,000	$30,000	$270,000	$375	7.2%
Tamworth	Block of 6 units	2012	$203,600	$20,000	$203,600	$960	24.5%
Tamworth	Block of 8 units	2011	$240,000	n/a	$480,000	$880	9.5%

developing and constructing these foundations, and they keep my investing journey on track."

'I quit'

As 2009 dawned and Nathan edged closer to the fateful day he would quit his job, he realised that his years as an investor had changed him. "I had now acquired 14 properties and my net cash flow from them was about $30,000 a year. Right then I decided. It was my job that was holding me back."

Nathan admits that the money was good. He admits that he should have felt happy to be earning a great salary for a then 24-year-old. It just wasn't him. "I never liked the high pressure environment. It was time for a lifestyle change.

"Looking back, that moment when I told my boss I was quitting, I don't think he was fully prepared. How many 24-year-olds say they are quitting because they're retiring to live on their own income stream? I don't know. I don't think there are many.

"Of course, it wasn't like people at work hadn't known about my investing. That was all I talked about, and that's the thing. I don't claim to be the smartest guy around. I'm sure there are lots of people who are much more intelligent than I am. What I do have is passion. I love properties, I love being around other people who love properties. I like buying properties and I like making money.

"But the weirdest part about retiring at 24 years is when the thought finally hits you: what are you going to do on Monday morning? I used to have to wear a suit and tie, shave, look neat. Come Monday, I couldn't be bothered getting out of bed. I just wanted to relax. After all my hard work there was a lot I had missed. I never went on 'schoolies', never holidayed with mates. I pushed myself so hard that I had never even had the chance to sit in bed all day and do nothing."

Hitting it big

Nathan's story might have ended there if it weren't for an ambition thirst for more. Though he had planned never to work a job again, there was no way Nathan could bring himself to walk away from property investing.

"Sitting around the house gets boring after a while, but then you try and find things to keep you active again. After quitting, my equity position was good so I went on a spending spree and bought a bunch of cheap properties. I renovated them and increased my cash flow to $80,000 a year. By age 25, I had 25 properties. In every year since then, I have been adding 20 to 30 on top of that."

Fast forward to today and Nathan Birch has a property portfolio to truly marvel at. The total value of his property portfolio stands at over $10m. Of this, he has $5m in net equity and gets $700,000 in rental income per year. Taking away his mortgage obligations, this leaves him with a passive income stream of $200,000.

"I used to be that guy who would look in the mirror 10 times a day and worry if my suit looked good enough for customers. Nowadays I wear thongs and a T-shirt. I'm not cocky about it. It's what I've worked for. I can be myself. I don't have to care about impressing other people. That's a great sense of freedom to have."

Runner up
Garry Harvey

A positive attitude towards cash flow and investing has complemented Garry Harvey's financial nous in helping him amass a diverse portfolio. Tim McIntyre explains

Twelve years ago, Garry Harvey was a 26-year-old Victorian, looking to buy his first home. Now, at the ripe old age of 38, he has amassed a portfolio of 35 properties, spread across seven states, which return over $500,000 a year in rental income and have given him $2.75m in equity to work with.

To achieve results like these, you need business acumen, an eye for value and opportunity, plenty of lessons learned along the way, and a solid education. Like most of the best investors, Garry has all these qualities, held together by his commitment to building a self-sufficient portfolio.

"My overall property strategy has been right from the outset to build a portfolio that will support itself without requiring the need for tax dollars or financial input from me personally," Garry explains.

"I have always seen my role as a property investor to be the manager of the assets while they grow in value, and I really wanted to create something that wasn't a financial drain on me month-after-month."

Of course, the naysayers intervened, but Garry wasn't about to be deterred.

"Many people told me this wasn't possible, but my determination to succeed drove me to keep finding solutions to the cash flow issues that kept presenting. My attitude was that every problem I faced was just another opportunity to find a solution."

Garry wins

A prize pack worth $4,556 including:

- $500 cash from *Your Investment Property*
- A 12-month Real Estate Investar membership valued at $1,788
- 2 x full depreciation reports from Washington Brown valued at $1,320
- A 12-month membership to MyProp.com.au valued at $259
- A selection of reports (of Garry's choice) from RP Data valued at $200
- A 12-month (platinum) membership to NMD Data valued at $199
- A 12-month membership to HomeSource Access valued at $110
- A 12-month subscription pack including *Your Investment Property*, and *Your Mortgage* magazines worth $180

A brilliant start

The nature of Garry's first ever purchase offers great insight into the type of investor he would become. While checking out the market in the early stages of 2000, he came across a duplex for sale at Hurstbridge, 26km to the north-east of the Melbourne CBD. He snapped it up for $187,000, attracted by its multiple positives.

"I was able to live in one home and rent the other one out, so we bought our first home and investment property all at once," Garry says.

"It was a good property to start with because it provided an income, and it also had sub-division potential and some other value-add potential."

Down the track, Garry would sub-divide the property, put it on two titles and sell the half that he originally lived in, but in the early stages, that duplex provided him the equity and return needed to kick-start his portfolio.

Getting serious

Living in his Hurstbridge property in 2001, Garry took note of the growing equity in his property and decided that if he wanted to become a serious investor, he would need to be educated.

"I did a property course, which turned out to be probably the single most beneficial thing I've done," Garry says. "It opened my eyes to how it all works; all the different strategies, how to structure your finance and so on."

Garry decided that due to the fact he had limited capital and a modest income, he needed to invest in properties with good rental returns if he was going to be able to stump up the sort of money required to build his portfolio.

While researching potential areas to invest in, he looked first at yield and then refined his prospects using other value indicators.

"Once I had found an area with suitable returns, I would then look at things like vacancy rates, capital growth rates, the industries in the area and the future outlook for the suburb or town,"

> "My strategy has been to build a portfolio that will support itself without the need for financial input from me"

Garry says. "In rural towns, if companies like McDonalds and other fast food chains, department stores and hardware stores had set up shop, that gave me confidence that the area had a future."

Once he was happy with a suburb or town, he would examine it on a micro level, seeking properties with good appeal and functionality, in sought-after locations, in a price range that had rental demand and in favour with local agents.

Adding growth to yield

After being told numerous times that investing in properties with high rental returns would mean sacrificing capital growth, Garry took measures to give himself a shot at the best of both worlds. "I looked for areas that I believed were

Judges' comments

"Garry's strategy of buying blocks of units (under market value), then subdividing them onto individual titles and adding value, is a strategy used by many accomplished investors. When done correctly, this can maximise your returns and get you onto the next investment as Garry has clearly demonstrated."

– Gavin Taylor and Keith Franklin, Metropole

"Garry has been practical in his approach to investing, securing positively geared properties in order to fulfil his portfolio growth plans. Investing in mining towns back in 2004 couldn't have been better timing and Garry would have seen some monumental capital gains and rental returns from his foresight. The financial structure for Garry's mortgages suggests he has a sophisticated understanding of how to structure his financial arrangements."

– Tim Lawless, RP Data

Timeline

- **2000:** Garry buys his first property for $187,000; a duplex with subdivision potential, which provided him a rental income to offset his mortgage repayments
- **2004:** Already with 12 properties amassed, Garry strikes his favourite deal; a six-unit complex all on the one title, for $398,000. This has recently been valued at $1,440,000 and brings in $116,000 in rent per annum
- **2006:** Garry becomes a mortgage broker. This later enables him to boost cash flow through his vendor finance strategy
- **2007:** Garry buys a property from an elderly couple who are undergoing foreclosure; agrees to keep them on as tenants, on a 10-year lease, paying below market value rent
- **2009:** Garry purchases his current PPOR; a four-bedroom house in Wattle Glen, north-east of Melbourne, for $600,000. It is now worth $900,000
- **2012:** Two years since his last purchase, Garry has 35 properties and has created capital growth of $2,753,902. His average rental yield is 6.7% on current values and his properties bring in $510,120 a year in rent

entering a growth phase. If property prices had been flat for a number of years, then that was a useful signal that the next growth phase wasn't far away," he says.

"In late 2004, I began investing in mining towns around the country because I truly believed the sector would be strong for decades to come. This is still a view I hold today and I select areas with real solid mineral reserves and multiple mines where possible. I have taken some risks in investing in smaller mining towns, which have produced mixed results, but I am confident of the long-term outlook in all the towns I have invested in."

Garry's diligence paid off and his strong rental yields have been complemented with excellent capital growth figures.

"On all the properties I purchased between 2000 and 2010 and still hold, my average percentage increase on the purchase price has been 57%," he says. Another deal that brought a windfall for Garry was a renovation he completed in 2009. Preserving the capital has always been a high priority of his and he makes a huge effort to use what he has as effectively as possible.

An opportunity came up to buy a house in the western suburbs of Melbourne that was partly renovated but not complete to live in. "A property in this condition is a lot harder to obtain finance for and was also going to need around $40,000 to complete the project," Garry recalls. "I was able to buy the property for $160,000 but I had the purchase contract drawn up for $208,000 with a five-month settlement. In that contract the vendor was to make an allowance at settlement in my favour of $48,000 to cover stamp duty and renovation costs. What this enabled me to do was use my capital to complete the renovation in the five months, which meant that when I applied for my finance I now had a completed home that was valued up to the higher contract price."

Garry took a 95% loan plus capitalised LMI, which meant his loan to purchase this property came to $201,500 and he was able to reimburse all the funds he used to complete the renovation, and that capital was then available to be used for future purchases. "All up, once this property was settled and I had been reimbursed, I had used less than $10,000 of my own funds/equity to acquire it, and I used a vendor finance strategy which provided me with $390 per week," he says.

Staying one up on lenders

The million-dollar question for a lot of investors looking to emulate Garry's

Garry's portfolio

Location	Type	Purchase date	Purchase price	Current value	Rent per week	Current yield
Hurstbridge Vic	2-bed unit	Mar 2000	$87,500	$300,000	$280	4.85%
Ararat Vic	3-bed house	Feb 2003	$55,000	$115,000	$145	6.50%
Moe Vic	3-bed house	Apr 2003	$74,000	$120,000	$150	6.50%
Ararat Vic	3-bed house	Jul 2003	$70,000	$150,000	$145	5.00%
Ararat Vic	2-bed house	Mar 2004	$68,000	$100,000	$140	7.20%
Darwin NT	1-room hostel	Apr 2004	$97,500	$120,000	$165	7.10%
Sale Vic	2-bed unit	May 2004	$61,250	$160,000	$185	6.00%
Sale Vic	2-bed unit	May 2004	$61,250	$150,000	$180	6.20%
Sale Vic	2-bed unit	May 2004	$61,250	$150,000	$170	5.90%
Sale Vic	2-bed unit	May 2004	$61,250	$160,000	$185	6.00%
Kambalda East WA	4-bed house	Sep 2004	$70,000	$110,000	$200	9.50%
Kambalda West WA	3-bed house	Sep 2004	$74,000	$120,000	$200	8.60%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$400	8.60%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$380	8.20%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$380	8.20%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$350	7.60%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$380	8.20%
Mt Isa Qld	2-bed unit	Oct 2004	$66,333	$240,000	$350	7.60%
Thomastown Vic	4-bed house	Nov 2004	$267,000	$290,000	$495	8.80%
Stanhope Vic	3-bed house	Apr 2005	$127,000	$130,000	$180	7.20%
West Melton Vic	3-bed house	Apr 2005	$240,500	$270,000	$670	12.90%
Zeehan Tas	3-bed house	Jul 2006	$64,000	$100,000	$160	8.30%
Rosebery Tas	3-bed house	Aug 2006	$78,000	$80,000	$155	10.00%
Cobar NSW	3-bed house	Sep 2006	$119,000	$150,000	$195	6.70%
Georgetown Tas	land	Sep 2006	$72,500	$70,000	Land	n.a
Chelsea Vic	3-bed house	Sep 2007	$275,600	$460,000	$320	3.60%
Roxby Downs SA	3-bed house	Oct 2007	$336,000	$375,000	$450	6.20%
Hampton Park Vic	4-bed house	Nov 2007	$219,000	$210,000	$526	13.00%
Diggers Rest Vic	3-bed house	Jun 2008	$183,300	$240,000	$250	5.40%
Cranbourne Vic	3-bed house	Oct 2008	$266,700	$245,000	$580	12.30%
Melton South Vic	3-bed house	Jan 2009	$160,000	$220,000	$250	5.90%
Echuca Vic	2-bed house	Oct 2009	$183,500	$195,000	$395	10.50%
Rushworth Vic	land	Nov 2009	$50,000	$100,000	Land	n.a
Wattle Glen Vic	4-bed house	Dec 2009	$610,000	$900,000	PPOR	n.a
Kialla Vic	4-bed house	May 2010	$340,000	$355,000	$799	11.70%
Total			$4,831,098	$7,585,000	$9,810.00	6.70%

Note: *Highlighted properties are Garry's vendor finance ventures and the value represents how much Garry is owed by his client. For more information on Garry's investment activity visit garryharvey.com.au, facebook.com/GarryHarveyAU, au.linkedin.com/in/garryharveyau*

achievements would be "how do you convince the banks to lend you money for 35 properties?"

For Garry, numerous factors helped him acquire his properties, including learning a thing or two from experience. He breaks his strategy down into three distinct aspects.

1. High yields

During Garry's acquisition stage he placed high emphasis on rental return, meaning the additional income helped with serviceability. Typically, he aimed to buy in the 8% or more yield bracket.

2. Studying the lenders

Garry spent time getting to know the policies of different lenders, which he says vary greatly, particularly in how they assess your ongoing commitments with other financial institutions. "If I've got a mortgage for $100,000 and the payments are interest-only, some banks will use the actual repayment when they test my capacity to service, while others will add a sensitivity margin to that and assess it on principal and interest," Garry says. "That really hurts my borrowing capacity, so selecting the right lenders is very important."

3. Splitting ownership structures

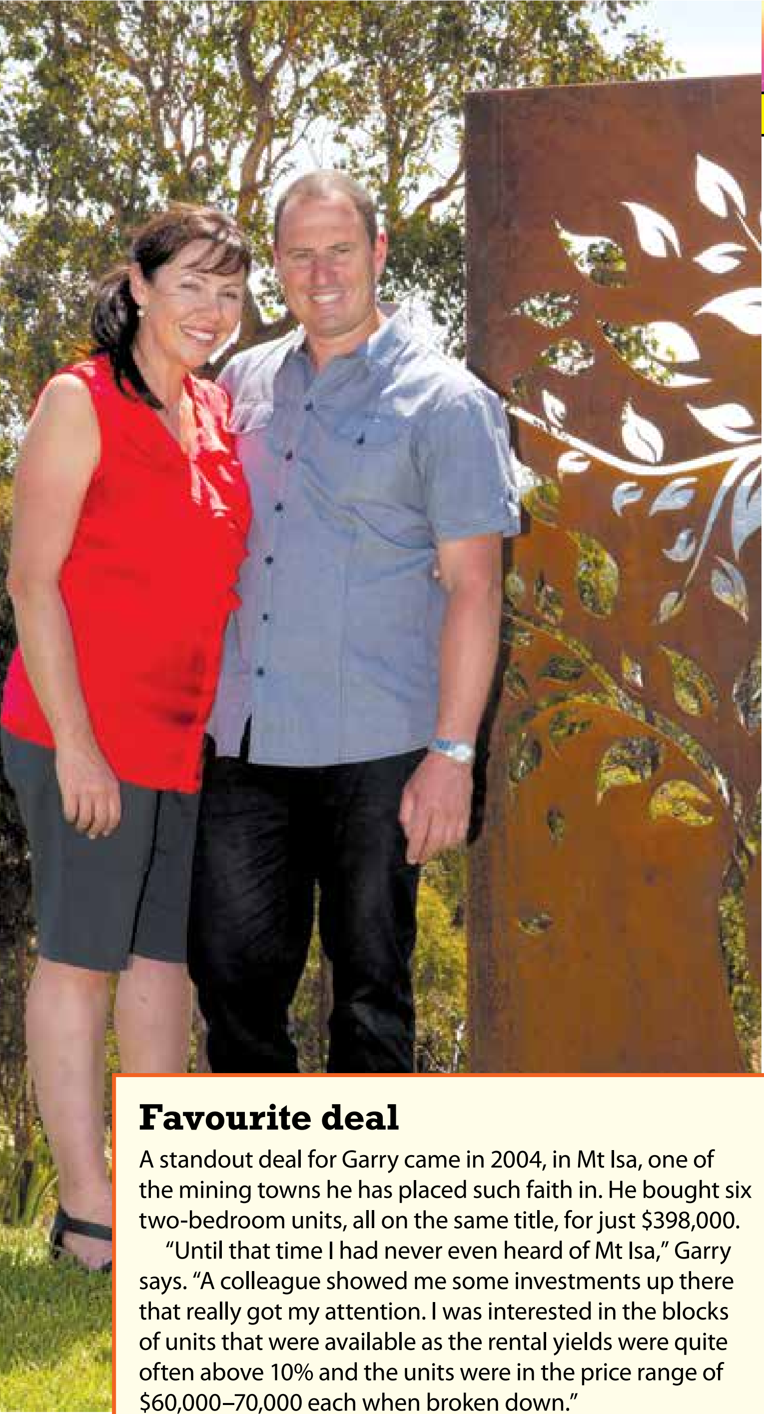
Garry believes the most critical aspect of continuous borrowing is to split ownership structures and ensure loan applications are not held back by other debts. "My properties are owned in four different structures," Garry says.

"My wife owns two in her name; I have a family trust set up where I'm sole director of the company; I have another family trust where my wife is the only director of the company; and we have a company set up where I own half the shares, but my father is the sole director."

This tactic ensures that each structure has buying capacity in its own right; the debts of company one don't have to be disclosed by company two when it applies for finance.

"A lot of people make the mistake of wanting husband and wife to both be directors of every company, but all that does is inhibit borrowing capacity," Garry says. "I found this out when I originally set up with my father. At first we were both directors and bought a couple of properties, but we got knocked back while trying to get finance for more, because I had other debts from other companies and it knocked us out on borrowing capacity."

Garry currently has loans with 10 lenders, after consolidating a number of others with Westpac, his preferred bank. He favours the major banks, which he finds to be more competitive for pricing and flexibility and also safer.



Several properties in Garry's portfolio have been purchased under a lending strategy which involves vendor financing

"What happened to smaller lenders during the GFC really put me off," he says. "The structure of them and the way they accessed their funds meant that when the cost of funds went up, they got hit the hardest."

The investor becomes the lender

A number of the properties in Garry's portfolio have been purchased under a lending strategy he employs to boost cash flow, which involves vendor financing. The way it works is that he buys a property and on-sells it to someone who does not qualify for conventional bank finance; perhaps due to bad credit or a lack of deposit.

"The title is in my name, and I on-sell it using a vendor terms contract," Garry says.

"The term of that would be 30 years and I'd put a small capital profit on it. So, for a $200,000 house, with costs adding up to $220,000, I might sell it for $240,000. Then I charge an interest rate of 1.5–2% above a bank's standard variable rate, which is probably more competitive than other

Favourite deal

A standout deal for Garry came in 2004, in Mt Isa, one of the mining towns he has placed such faith in. He bought six two-bedroom units, all on the same title, for just $398,000.

"Until that time I had never even heard of Mt Isa," Garry says. "A colleague showed me some investments up there that really got my attention. I was interested in the blocks of units that were available as the rental yields were quite often above 10% and the units were in the price range of $60,000–70,000 each when broken down."

Garry researched the area online and rang a local agent to enquire about some units that had been listed.

"I spoke with a lovely lady named Lorraine, who told me the units I had rung about weren't very good and that one of her vendors was about to list a block of six," he says. "They were in a great location and some of the largest two-bed units in town at 78m^2 internally. The asking price was $398,000 and the rental return was $42,000 per annum, representing a gross yield of 10.6%. I said to her 'consider them sold'."

Garry negotiated a three-week finance clause in the contract so that he could get funds together and fly to Mt Isa to get a feel for the town and its future prospects. Pleased with the condition of the 1970s units and excited over the potential to add value through separating the titles, he went ahead with the deal.

"I didn't rush into anything, but completed my upgrades and separated the titles in 2011," Garry says. "The property

has just been valued by Herron Todd White at $1,440,000 for all six units and the annual rent is now $116,000. This has been a truly fantastic investment that ticks all the boxes, and in a town that I believe has a big future."

The numbers

Six units purchased in 2004	$398,000
Annual rental return in 2004	$42,000
Rental yield in 2004	10.55%
Valuation on block in 2012	$1,440,000
Annual rental return in 2012	$116,000
Current rental yield	8%
Yield on original purchase	29.14%
Holdings costs	n.a

A good deed deserves a return

Sometimes growth and yield are not the only returns that an investor finds rewarding. Garry likes to recall an opportunity that came up in 2007 to buy a house in Chelsea, south-east of Melbourne.

"It was $85,000 under the current market valuation and the elderly couple that owned it were being foreclosed by their financial institution," Garry says. "They were the original owners and had lived in the property for more than 30 years. They had assisted some family members financially and had created this debt on the home that they couldn't pay for."

The couple was quite distressed because their highest priority was to remain in the home and they knew that if it sold on the open market they would be asked to move out. The under-value price being offered was the amount needed to clear all their debts.

"I really felt for these people, so I told them I would buy the property from them and put them on a 10-year lease, which would give them the security they were looking for," Garry says. "I structured the lease so the rent was below market value for three years at an amount they could comfortably afford, and then reverted to market rent for the remainder of the lease. They are still in the home today."

The numbers

Purchase price in 2007	$275,600
Valuation in 2012	$460,000
Weekly rent	$320
Current yield	3.61%
Equity gain	$184,400

non-conforming lenders like Liberty or Pepper." This strategy enables Garry to create extra cash flow and capitalise on a small gap in the lending market. He also takes measures to mitigate the risks involved.

"First, I take a deposit from them, so they have money in the deal – typically this amount is between $10,000 and $30,000. The title remains in my name up until the final payment, so I have the mortgage and am obligated to meet the repayments. If the clients have issues paying, I just move them on and do something else; another vendor terms contract, or I'll just convert it to a normal rental."

Garry's clients are entitled to any equity above whatever balance they owe him, so if they decide to withdraw from a deal, he either sells the property and pays them their share, or he keeps it and buys their portion of the equity off them.

Having been a mortgage broker for the last six years, Garry took out a credit licence, which allows him to use this strategy and comply with the new lending requirements recently introduced.

"I have six of these at the moment and they have played a massive role in the success of my overall portfolio," says Garry.

"Heading into the GFC, when rates were rising and there was cost pressure on what I was doing, we had about 10 of these going at the time and some were cash flow positive to the tune of around $1,000 a month." ■