

# Is this Australia's cheapest property?

Investor Engelo Rumora spent a measly \$15,000 to buy an investment property, which will generate a rental yield of 33 per cent and \$50,000 in equity. **LAUREN CROSS**



Moree house

If you've ever thought to yourself 'I can't afford to buy a property', you obviously haven't met ambitious investor Engelo Rumora. He's proof that even the tiniest of savings can still set you on the path to financial security.

For just \$15,000 – what most people would spend on a car or a holiday overseas – Engelo managed to snare an investment property in the regional town of Moree in New South Wales.

"It's a great feeling when you find that cracker deal," Engelo says.

We spoke to Engelo last month about his property in Mildura, Victoria. He embarked on a massive renovation project, commuting from his home city of Sydney on the weekends to work all day and all night on the renovation in Mildura. One day while driving back to Sydney, exhaustion set in and Engelo crashed his car. Fortunately, he survived the crash relatively unscathed. Grateful for his health, Engelo became even more determined to set himself up through property investing.

Just after finishing the Mildura renovation, a fellow investor pointed out a good deal to Engelo. It was listed online for \$80,000 and needed some work, including plumbing, painting and new carpet. Although it was rented for \$160 per week, the asking price was still a bit out of reach for Engelo. However, he became a little more interested when he noticed the asking price drop to \$60,000 about a month later. Deciding the price was right, Engelo called the real estate agent and started to negotiate.

Things were going well until someone broke into the house. Unfortunately for the vendor, it was completely trashed and unlivable.

"Everything fell through at that stage," Engelo says, "but I kept in contact with the real estate agent and was told the owner was getting insurance to fix the property."

A few months later the agent called Engelo again, asking if he'd still be interested in buying the property after the owner received his insurance payout and renovated the property. Engelo played hardball and offered a low \$37,000, not expecting much to come of it. But to his surprise, the offer was accepted.

"I thought, 'I'll spruce it up for \$10,000 and I'll still have a good deal'."

However, the insurance company stalled the vendor's payout, which meant growing frustration for both Engelo and the vendor. Months went by and the property sat empty, until finally Engelo came up with a very cheap solution to seal his dream deal.

**"It's a great feeling when you find that cracker deal."**

"I called the agent to see if the vendor would be willing to sell the property in its current condition. I said 'I'll take it off his hands right now, I know it needs a lot of work, I'll buy it today for \$15,000'."

Within hours, the agent told Engelo his offer had been accepted. Although it was an incredible deal, even the agent was worried it could in fact be a lemon.

"She said to me 'are you sure you're happy with what you're buying, do you know what you're doing?' I asked her 'does it have walls? Does it have a roof?' She replied 'yes' and I said 'fantastic, I know what I'm buying'."

Engelo happily admits his house is a dump and also located in a bit of a rough area in Moree. But at this price, he believes there's no risk, just reward.

"The house next door sold for \$80,000 in 2011 and another sale 200 metres down the road sold for \$110,000 in 2010. You

won't find a three-bedroom house in the area for less than \$100,000."

He's also just found a builder who has given him a quote to renovate the property for a mere \$7500. This will include new doors, fixing holes in the walls, installing new windows and security screens, new light fittings, carpet and painting. Engelo might also install a fence, creating a physical barrier for would-be thieves, so the entire makeover will cost around \$10,000. Once it's finished, the property should be worth around \$75,000 – three times more than what Engelo paid.

That's instant equity of \$50,000! And better still, the rent for the property will be \$160 per week – an amazing 33 per cent rental yield after renovation costs.

Of course, there's always the risk the property could be broken into again, but Engelo shrugs this off.

"That's why you have insurance."

He suspects he'll get a tenant on Centrelink payments and he's happy with that arrangement too.

"The money goes straight into the agent's account and I get paid straight away, so it's pretty much a rental guarantee. You can get good tenants in housing commission areas, just as you can get bad tenants in good areas."

In fact, buying in 'rough areas' is now Engelo's strategy, based on the fact you can buy the property at a cheap price, instantly make it cash flow positive and renovate to create equity. His plan is to eventually generate \$120,000 in passive income each year and retire early. He's also looking at buying cheap properties in the US. **api**



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