HOTSPOTTING WITH MICHAEL FULLER

Leading the pack

Straying from the masses and following an alternative route to property investment could put you ahead, writes Hotspotcentral's **Michael Fuller**

I often wonder why property investors follow the pack when the pack rarely owns more than one property. What's more, according to recent figures from the Australian Taxation Office (ATO), most investors pay over $10,000 in tax each year in negative gearing costs.

I know an investor – let's call him Craig – who has 238 properties in his portfolio, and growing. Like investments should, his portfolio pays him money each month, not the other way around.

So, what makes Craig different? The answer is, he simply doesn't do what everyone else does.

If what you are doing today is not working for you, why not try something different… why not do what Craig does?

FOLLOWING THIS NEW STRATEGY COULD PUT YOU EN ROUTE TO INVESTMENT SUCCESS

FIVE WAYS TO BE DIFFERENT

1. NEVER PAY 'RETAIL' PRICES

Ninety-nine per cent of investors do not realise that there is a much smarter way to acquire brand new property, with significant upfront savings that translate into an immediate equity gain.

Each year, you see developers pay millions of dollars to marketers who create glossy brochures, designed to illicit an emotional response from investors who are already time poor and overwhelmed by an information overload. Most busy investors eventually 'just do something' and invest on a wing and a prayer.

Unfortunately, time is not kind, as their mistakes are often only revealed many years later.

Craig, on the other hand, acquires all his properties at a developer's cost price – not retail – and uses the upfront manufactured equity as a down payment on the next purchase.

2. BUY ON FACT, NOT EMOTION

We all know we need objective, factual information to make a decision. But, whose facts should we rely on?

Be wary of advice from a vendor or their sales rep, as they have a vested interest called commission and profit. Successful investors do their own due diligence, placing far more weight on factual information and data from independent sources.

The problem is there is so much information and so little time, so how do smart investors overcome these challenges?

3. BUY AND HOLD

Wealthy investors always hold, only selling when the market turns. It's important though, that you 'buy and hold, and expand'. Too many investors get stuck on one or two properties, but Craig would tell you that each property you purchase must immediately fund the deposit on the next and put money in your pocket each month. This is a self-funding portfolio.

4. MONITOR THE MARKET

The term 'set and forget' should be illegal. Users of our DSR Score know that every suburb is a mini property market, and a hot suburb today could be the next non-performer tomorrow.

> **"MANY INVESTORS TAKE SHORTCUTS AND RELY ON WHAT THEY HAVE BEEN TOLD BY 'THOSE IN THE KNOW'"**

Active investors continuously monitor market data and sell before everyone else sees the downturn and follows. However, often it's not obvious until it's too late.

'Buy and monitor' means finding opportunities to migrate your equity into the next upswing. We see hundreds of these upswings unfolding right now at Hotspotcentral.com.au and you can monitor the eight key indicators of this in a single view.

5. TAKE ACTION

Most prospective investors find it safer to read all the magical money-making ideas. Those who take action often realise they are great in theory but hard to execute – most require money, specific expertise and solid relationships with various experts.

At Hotspotcentral.com.au, our contacts flag-up opportunities rarely seen on the property portals or estate agent windows. As a technology company, we're busy making research easy for our subscribers, but it's these relationships that make taking action so much easier for both of us.

IN SUMMARY

Remember the principle of buying on fact and not emotion. We plug all opportunities into Hotspotcentral's Property Selection Index (PSI), which measures them against over one hundred key investment criteria.

The 'pass mark' is 70 per cent or higher, regardless of our gut feel or how attractive the numbers appear.

By keeping to Craig's principle of not paying retail prices, smart investors legally avoid costs such as stamp duty, the developer's profit and the selling agent's commissions, which typically add 20 per cent to the retail price.

A typical saving of $100,000 on the purchase cost means ongoing savings on interest, lender's mortgage insurance and the difference between cash flow positive or paying out money each month.

Additionally, an instant cash buffer can be created with the instant 'saving', or it can be used to pay back your deposit, while still holding on to an 80 per cent LVR.

Someone like Craig prefers to recycle the saving straight into the next purchase and that is how he accrued 238 properties without saving for a deposit each time.

So, take action today and make sure the key suburb and property data corroborates what those involved in the sale are telling you, and vice versa. Pay cost price and use your equity to keep adding to your portfolio. Monitor the market closely and 'hold, hold, hold' until a better opportunity warrants a migration of your capital. Oh, and seek professional advice – you can't do it alone.

Visit Hotspotcentral.com.au for a free online presentation about the mechanics of this strategy. ■

Michael Fuller is the co-founder of property research and investment selection technology portal **hotspotcentral.com.au** and founder of Redwerks Research, creators of the DSR Score