

Hotspotting

with Michael Fuller



Investors who can purchase property at the cost end are able to manufacture capital growth, but they will need to know a few things before they get started

be one or the other, but few have all three skills combined.

Most of the very successful investors I know have a knack for picking a location before prices go up, and they always purchase property at the cost end – that is, straight from the factory and not the showroom floor.

Boomtown is used by many of these investors to pinpoint suburbs where demand is outpacing supply. Buying at the cost end (that's wholesale and not retail) of property creation is a little trickier, but worth your consideration.

The benefits of manufacturing capital growth, or the difference between buying at cost versus paying retail prices on the open market, are:

Peace of mind – profits or savings against retail costs can be as much as 20 per cent, providing an immediate buffer or cash in hand if sold on completion.

Faster portfolio growth – most investors get stuck on one or two properties. Creating instant equity can help fund subsequent purchases much sooner than traditional saving or waiting for organic capital growth.

Manufacturing capital growth – when the market is slow, wealthy investors are still making capital gains by purchasing development sites below value.

Boosting rental yields – developers pay less for property. This in turn inflates rental yields (rent as a percentage of purchase price).

Tax planning – tax savings can be realised, such as depreciation benefits or locking in profits within super.

Retail cost savings – retail purchase prices often include stamp duty, seller's



Have you ever wondered what very successful property investors do differently?

After all, they have access to the same information as everyone else.

My company is the beneficiary of much of their wisdom, by the very fact that we have tens of thousands of people referencing our data each month. These people include property industry professionals and some very successful investors, who I enjoy listening to.

I want to share some insights that might change your thinking a bit.

If you've been following my column recently, you may know at hotspotcentral.com.au we're all about helping investors to scientifically find the best investment locations. This research is backed by statistical fact and not opinion or bias – a vital precursor to wealth creation through property.

We developed the DSR score (dsrscore.com.au) and Boomtown (boomapp.com.au) so investors can pinpoint the best locations for capital growth and yields – before everyone else – and also make sure their choices complement their strategy and budget.

Previously, screening 15,000 suburbs against millions of data points for the next hotspot was impossible to achieve manually, regardless of your time or expertise.

You see, most web portals and third-party property data providers individually offer a vast amount of information that can be useful. When viewed together, however, it becomes powerful.

The problem is most of us are not property data aggregation experts, data analysts or property investment experts all rolled into one. Some investors might

➤ **Michael's hint**
Creating instant equity can help fund subsequent purchases

commissions and the retail profit margin a developer adds to the price. Smart investors save on all these costs by getting in at the cost end of creating property and, as a result, have much more control over their investment returns and lifestyle.

What do successful investors need in order to buy property at the same price a developer would pay?

They need time, money and expertise in equal measure. Few investors have all three, but they are great at corralling the experts to create the balance.

Time – it can be very time consuming researching the property market for a great location, searching for suitable development sites, building relationships in the industry, doing feasibility studies, working with consultants – building designers/architects, engineers, town

planners – getting quotes, negotiating contracts, arranging funding.

Money – most successful investors do not use all of their own money. They prefer to use some of their own (cash or equity) and obtain the rest from the bank or other investors. The problem is banks and investors will not part with their cash unless you have proven expertise.

Expertise – the old adage ‘You don’t know what you don’t know’ comes down to expertise. Knowledge is easy to get, but experience is a little harder. Acquiring property at the cost end requires considerable expertise that can take years to gain. Along with expertise and experience comes a solid reputation that banks and investors will back. Without it, successful investors choose to work with those who do have it.

So how do you get the right balance needed to become a successful investor-developer? I’ve put together a webinar that will give you more detail. Book your spot on one of the weekly online sessions at hotspotcentral.com.au/wholesale

On the flip side, according to the Australian Taxation Office:

- Six out of 10 property investors are negatively geared, losing on average \$10,000 each per year. That’s \$12 billion
- All investors reported \$6.5 billion in total rental losses
- Seventy per cent of all property investors sell within five years at a loss

Working with a trusted team to acquire a property at cost in the best location, and locking in a profit from day one, could be the answer.

Michael Fuller

Founder,
Hotspotcentral

THE **DOUBLE WHAMMY!** OF PROPERTY INVESTMENT

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This is a little secret property developers don’t want you to know about. You can save as much as 20% on a brand investment property in a desirable location.



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As Australia’s leading independent research technology company, and creators of the DSR Score and Boomtown, you are invited to discover how smart investors acquire brand new property, in the hottest locations, without paying the developers profit and other retail cost such as selling commissions. In most cases the saving acts as a deposit for the each subsequent purchase.

To find out more, visit www.hotspotcentral.com.au/whammy

New Townhouse	YOU	Typical
Cost Price	\$337,000	\$337,000
Selling Commission	\$0	\$21,000
Stamp Duty	\$0	\$12,500
Developers Retail Profit	\$0	\$51,500
ACTUAL COST	\$337,000	\$420,000
Upfront Equity	\$85,000	\$0
Retail Yield	7.3%	5.6%
Interest Saving	\$8,800	\$0
TOTAL SAVING	\$126,000	\$0

