7 COMMON MISTAKES PROPERTY INVESTORS MAKE

AND HOW TO AVOID THEM!

PROPERTY MAVENS®

Hello!

Property Investing looks easy, but it is anything but simple. Having worked in the industry for over 15 years, I see investors making the same costly mistakes over and over again.

When it comes to buying investment properties, large sums of money are involved, complex legal processes are required and lots of conflicting advice is available. It can be really hard to cut through all the noise and know that you are buying the right property, in the right location at the right price which will deliver ample returns in the future.

This guide is all about helping you to avoid the common mistakes others make. And by understanding the potential pitfalls, you gain a better understanding of what makes a successful and prosperous property investor – helping you achieve profitable property outcomes in the future.

Go forth and prosper!

Miriam Sandkuhler

Accredited Property Investment Advisor, Buyers Advocate and Author

CONTENTS

THE 7 COMMON MISTAKES PROPERTY INVESTORS MAKE

The content of this guide has been extracted from the book:
Property Prosperity by Miriam Sandkuhler © Miriam Sandkuhler 2013.

ISBN: 978-0-9923782-1-9

How can you avoid this mistake?

The best way is to engage an independent property investment advisor who is both a Licenced Buyers Agent and Licenced Real Estate Agent and highly experienced in the market you are buying in.

An expert property investment advisor, like the team at Property Mavens, will work in your best interests to remove the smoke and mirrors, cut through all the clutter and provide you with transparent, unbiased advice and guidance.

MISTAKE 1

THINKING FREE ADVICE IS GOOD ADVICE

Anyone can sign a contract and 'buy' a property – that's easy! What's not easy is what comes before the purchase – a series of steps and the due diligence you need to take to ensure you buy the right type of property, in the right location at the right price, which matches your risk profile, goals and personal circumstances.

- Alarmingly, there is no legal requirement for people to have any qualifications before they provide *'property advice'*.
- Instead, there is bewildering array of property spruikers, salesmen, self-proclaimed 'experts', project marketers, seminar presenters, investor clubs, developers, 'property institutes', 'even financial planners, accountants and mortgage brokers in the market place ***selling you*** property by offering ***'free education, strategies and advice'.***
- This *'free advice'* inevitably leads you down the path of buying a property they have for sale, which happens to match their *free education, strategies and advice. Very convenient!*
- *You can usually tell this is happening to you by keeping an eye out for some tell-tale signs.*
  - **The advice they provide you is free. This means they are not actually working for you,** they are being paid by a Vendor (Seller), to sell property.
  - **They only recommend property in one specific development**
  - **They talk a lot about the tax effectiveness of buying this particular property**
  - **They won't talk about how they are being paid**
- This is not how genuine property investment advisors work. A truly independent property advisor will only provide you with **qualified accredited advice on a fee for service basis. That's how you can tell your adviser is working for you and has your best interests – not someone else's – at heart.**

Your ONLY protection is to seek impartial and independent advice.

How can you avoid this mistake?

By understanding your personal risk profile and the risks associated with different types of property and investment strategies, you can position yourself to develop a prosperous and sustainable property portfolio.

Property Mavens can help you determine your personal risk profile and create a property investment strategy which suits you.

We provide you with a clear understanding of the risks associated with different property types and the correct investment strategies to ensure that you won't make an investment mistake that could cost you tens of thousands of dollars.

MISTAKE 2

NOT UNDERSTANDING RISK

Understanding your personal risk profile, your partner's risk profile and the level of risk associated with different property types and investment strategies is CRITICAL to your investment success.

- *Risk is the extent to which you are willing to expose yourself to loss in order to make a return.* When it comes to money, some of us are more conservative than others which means our risk profiles range from conservative, cautious, and prudent to assertive or aggressive.
- Our appetite for investment often varies according to our circumstances and personality. By understanding your risk profile and selecting an investment strategy which matches it, you are more likely to feel comfortable.
- For example, someone with a low risk profile shouldn't be engaging in a high risk / high return strategy such as buying a site, building new units and marketing it themselves. A person with a high risk profile however, is more likely to be comfortable with this type of strategy , but will still need to do a thorough market analysis and due diligence to mitigate their risk.
- Risk can be managed through careful research, analysis and establishing evidence to support your investment decision to purchase a property of a particular style and type in a particular location.
- In the case of risk, **one size definitely does not fit all,** so it is important to understand your personal risk profile and the risks involved with different types of property.
- Understanding your risk profile will allow you to manage and/or reduce risks during the establishment and growth phase of building your property portfolio. At a minimum, it will enable you to make better informed and more appropriate decisions from the outset.
- At best, it will stop you from losing tens of thousands of your hard earned money by investing in an inappropriate property type for your risk profile. This way, you can sleep at night!

How can you avoid this mistake?

Start with your end goal in mind (e.g. desired retirement age) and work backwards to now. How long is your timeframe? Set realistic financial targets to work towards so that you have complete clarity around how much money you will end up with so you can financially retire. Remember to also consider your entry, hold and exit strategies!

Property Mavens can help you to calculate how many properties to purchase, at what price, what type, where and the timeframe to acquire them, to enable you to achieve your end goal.

We can help you to build a prosperous property portfolio and ensure that you *only* buy investment grade property to match your entry, hold and exit strategy.

MISTAKE 3

NOT HAVING A DOCUMENTED PLAN

'If you fail to plan, you plan to fail'. Buying property without a strategy is like trying to build a house without a set of plans. To create sustainable wealth through building a property portfolio, you need a documented strategy tailored for you that guides the way and spells out the requirements, costs and timeframes you will need to invest in property successfully.

- Clarity around your goals will allow you to calculate how much debt-free property you need to own to achieve your financial independence. You need to know how much it costs to live the lifestyle you want - both now and in the future - and consider the timeframes required so your investment plan will generate an income for you and your family.
- You will also need to review your strategy and your property portfolio each year to ensure you are on target. You can modify your strategy as and when required.
- If you have a short timeframe which is unrealistic, you could ignore your risk profile and pursue a strategy that is higher risk for higher return to achieve your goal (but you may NOT sleep at night), or readjust your timeframe to achieve your goals sustainably and safely, especially if your income or financial means are limited.
- It's always better to overestimate the income you will need and underestimate the return on the asset pool to allow a margin of safety.
- We all seem to be living longer these days, so your assets will need to generate an income for up to 30 – 40 years, especially if you want to retire younger than the current retirement age of 67 years.
- Keep in mind your entry, hold and exit strategy as part of your overall plan. These need to be assessed before you invest so that you buy the right property type.

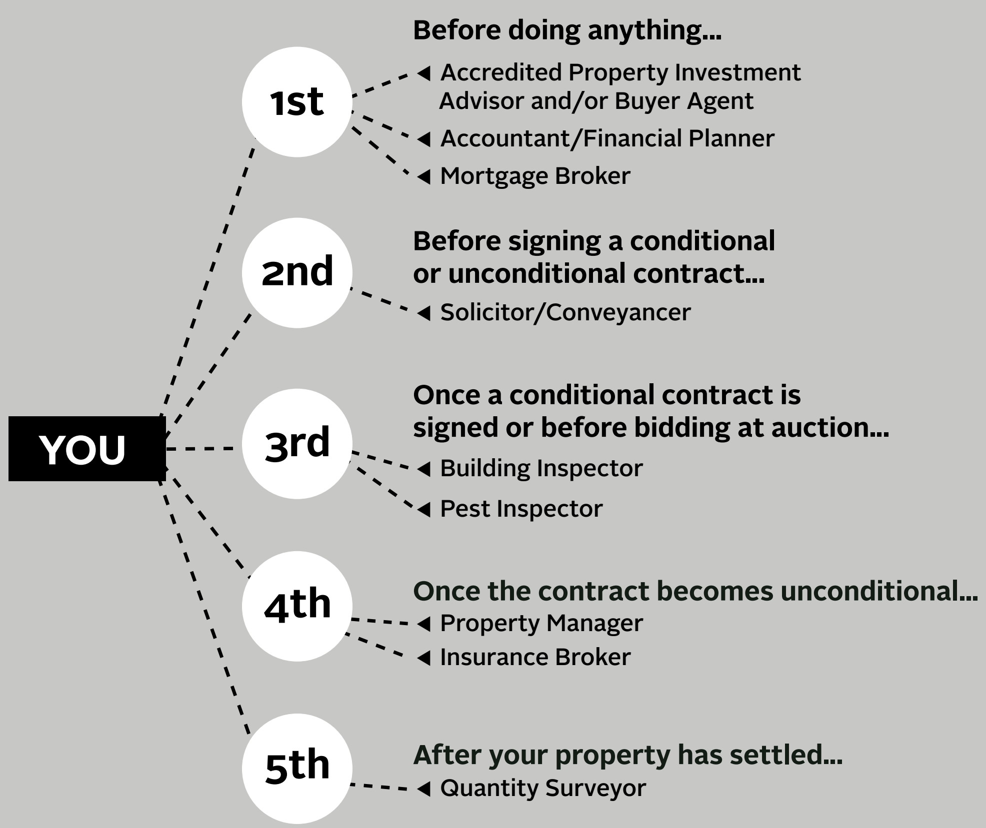
How can you avoid this mistake?

You can save yourself an enormous amount of time, stress and money by engaging licenced and qualified property experts. The returns you will gain from their expert advice and access to industry resources will ultimately save you time and thousands of dollars in the long run.

Property Mavens can work alongside you as your property investment expert. We can develop a clear strategy for you to achieve your goals, enabling smarter investment decisions and more profitable outcomes.

As a Licensed Buyer's Agent, we research, source and buy investment grade property which delivers strong returns and stable income, while protecting you from overpaying or being misled during the buying process.

ENGAGING EXPERTS



MISTAKE 4

NOT ENGAGING A TEAM OF EXPERTS

Australians love property! Just as most people wouldn't seek advice from friends about heart surgery if they weren't a surgeon, it is important to realise that the same level of awareness should apply when investing hundreds of thousands of dollars in property.

- Think of property investing as a *business* – where your team of experts all form part of the success of that business. Independently, they help you to maximise the investment opportunity, minimise tax and/or risk, while *collectively they combine their expertise to increase your success multi-fold.*

- If you were building a house, you would need expert advice to ensure the foundations, concrete, frame, bricks and mortar were sound and kept your house standing strong and upright. There would be significant consequences if you found out the concrete was too thin and the mortar too weak AFTER the house has been built! The same applies when engaging experts to help you in the property investing process. After you have purchased the property, it's too late for these experts to help.

- As you can see (on the left), you need different experts to be engaged at different stages, and some of them need to be engaged simultaneously. The chart shows you will need nine professions to ensure your property transaction is sound – and *all your experts will* play a very important role.

- As with any business, you should seek out the best experts available who specialise in working with investors to successfully build a portfolio.

- Why? Because they need to step into the future with you and consider all of the implications – *how big* you want to build your portfolio, *what type* of properties you will buy, *which strategies* you will use and *who* will benefit financially and *when* – so that they can provide the correct advice, planning and structuring *in advance.*

- Why in advance? **Because after the purchase, it is TOO LATE!**

How can you avoid this mistake?

Understanding the importance of completing your due diligence before you purchase is paramount. Don't always believe what you hear from real estate agents selling properties, because it is in their best interests to sell, not disclose everything to you. Remember, they don't work for you, they work for their vendor.

Property Mavens has specialist insights into the market. We do all the research and due diligence for you.

Not all property performs at the same rate, so we use sophisticated research and modelling tools to select, assess and purchase high-performing investment-grade property on your behalf.

Ultimately we leave you feeling financially empowered and in control.

MISTAKE 5

NOT DOING ADEQUATE RESEARCH

After engaging your team of experts, the next step is to decide what to buy, where to buy and to go about researching and assessing opportunities. Start with assessing a number of different property types – the what – and then get onto the why. The where is up to you to determine, based on the drivers of growth.

- As an investor you have three options when investing in residential property: buy established property, buy land and build or buy property off the plan.
- It is just as important to understand the risks associated with each of these options as it is to know the benefits, because, while salespeople are more than ready to share the positives with you, they won't generally disclose the risks voluntarily.
- Understanding the drivers of growth, and whether they are temporary and unsustainable or permanent and sustainable will enable you to be more selective as to the areas in which you buy.
- Macro and micro economic drivers influence growth. **Macroeconomic property** factors include current economic conditions and where they sit in relation to the rest of the world, population growth, land availability, housing starts, industry development and infrastructure investment.
- **Microeconomic** property factors relate to events in the local area and are often used when identifying areas for sustainable future capital growth and rental increases. These include population growth and amenities such as the provisions of schools and hospitals. Decreases in the property market can sometimes be the result of oversupply of new property or local industries closing down.
- You also need to consider the factors driving rental return. If you purchase property in areas where there is high demand but limited supply of rental properties, especially for a particular demographic like students, professionals or families, then your opportunity for regular rental increases and long term tenancies improves.

How can you avoid this mistake?

Employ Property Mavens as your expert negotiators and strategists when representing you at auction and private treaty sales, with the knowledge and skillset to keep real estate agents honest.

Property Mavens has access to the same industry databases that agents use, which means we can do in-depth research to find out what a property's real market value is, as opposed to the price range an agent is advertising it for.

We also have access to off market properties (silent listings), meaning our clients don't need to compete at auction for investment grade property.

MISTAKE 6

NOT UNDERSTANDING THE RULES

Real estate is a game of high stakes, so before you start learn the rules. There are rules that real estate agents need to abide by, as there are rules that buyers and buyers agents need to abide by and an 'umpire' of the rules in every state, usually known as Consumer Affairs.

- So, what are these rules?

1. "Property advertising must not be misleading or deceptive. It is illegal for a real estate agent to misrepresent a property in any way when advertising or marketing a property for sale, whether verbally, in writing or in photographs." *
2. "It is illegal for an agent or 'adviser' to advertise or inform you of a price that is less than the seller's reserve price or asking price, or the agent's current estimate of the likely selling price". *

This is known as underquoting.

- Knowledge is power, so make sure you know all the rules! When agents know they are dealing with savvy and informed buyers, they are less likely to try and get away with poor and ILLEGAL practices.
- The success or failure of establishing your portfolio can often come down to your ability or inability to successfully negotiate a price AND conditions in your favour. Remember, you are up against *professional* negotiators, so don't take this lightly or underestimate the selling agent.
- *Always* make sure the contract of sale note is reviewed BEFORE you place an offer on a property and always include a clause for building and pest inspections BEFORE an auction.

* Consumer Affairs Victoria – Guidelines for real estate sales people 2013.

How can you avoid this mistake?

Like your health, your property portfolio needs to be checked annually to ensure everything is on track. Without an annual review there is no way of knowing if your investment is performing to expectations.

Your property portfolio requires experts to complete an annual review and Property Report for you. At Property Mavens this is one of our most popular services, because our reports typically offer our investors insights that they never expected.

MISTAKE 7

NOT REVIEWING THEIR PORTFOLIO

Like any investment, you need to keep check on how your property is performing over time. It can be surprising how many investors don't have the right tools to rate how their property is performing, or what their likely future capital and rental income growth is.

- Reviewing your portfolio every year is essential to ensure your property is performing and will meet your expectations. A portfolio review is essential to ensure you don't get caught out by a market turning for reasons beyond your control - which may be temporary or irreversible.
- Ideally you should revisit the reasons why you bought the property every 12 months, and take an audit of the local conditions. If the area is in the media or news a lot, or if there is unusually activity or talk around the market, then you need to stay on top of it or it could cost you dearly!
- It's important when buying an investment property to never fall in love with your property. Remember, this is a **business** you are running, so you need to keep your emotions out of it.
- Falling in love with property can make it harder for you to cut your losses and sell in the event that the property is no longer performing or unlikely to continue to do so over the longer term and won't let you achieve your goals.
- Staying frozen in fear and distrust also doesn't help. Understandably, if you have been burnt by investing poorly in the past you are likely to want to stick your head in the sand. But what you really need is **informed** advice so you can take **evidence based** actions to move past the error and take steps to turn your situation to the positive.
- The costs of exiting and re-entering the property market are substantial, so these need to be well considered before taking action to sell.

ABOUT US

Property Mavens is a property advisory firm specialising in helping property investors buy investment grade property which delivers strong capital growth and solid rental returns.

Our area of expertise is creating tailored investment plans and property solutions by researching, sourcing, assessing and negotiating the purchase of investment grade property for our clients.

We work in partnership with you during the buying process, eliminating the risks, stress and confusion that can come with property investing, which ultimately leaves our clients feeling empowered and financially in control.

Our services include:

- Property Advice
- Buyer Advocacy
- Property Portfolio Review

Call now for an obligation free consultation 61 3 9988 2266

We know that property investors often:

- Feel overwhelmed by information and often don't know where to start or what to buy
- Don't know who to trust or where to find impartial and unbiased help
- Don't have a clear financial goal/ outcome in mind or property investment strategy in place
- Are concerned about paying too much for a property
- Are concerned about buying the wrong property type at the wrong time in the wrong location
- May have bought a 'lemon' or poorly performing property in the past and don't know what to do about it or how to get out of the mess and start again safely, sustainably and successfully

To support investors we offer:

- Impartial and unbiased fee for service solutions for SMSF property investors
- Strategic Advice via our Accredited Property Investment Advice service
- Property research, sourcing, analysis and negotiation solutions via our Buyer Advocacy service
- Individual property review, analysis and recommendations via our Property Portfolio Review service

To learn more about creating your own prosperous property portfolio, visit **www.propertymavens.com.au** to rate your property expertise and access a suite of free property investment resources, as well as Miriam Sandkuhler's book ***Property Prosperity.***

DID YOU KNOW?

As at December 2014

- The Australian property market was valued at $5.7 trillion dollars
- The stock market was valued at only $1.6 trillion

This makes the property market the most valuable market in Australia, forming the foundation of our personal wealth, and our banking sector's security against its funds. However, unlike the financial planning, insurance and mortgage broking sectors, property as an investment asset is **unregulated.** This means that:

- There is **no national regulatory body** (like the Australian Securities and Investments Commission) that requires 'factual' claims be based in evidence
- There is lots of **marketing 'puffery'** posing as genuine advice, where a real estate agent seeks to enhance the appeal of a property to promote its sale,
- A lot of 'advice' in the property sector is designed to evoke the emotions of the buyer instead of being based on evidence

Property for investment should be considered very differently. Property investment is a business, and needs to be considered on the basis of the potential performance against market averages, not on a buyer's emotional whims. To support this we need:

- Standardised formats for claims of historical performance,
- Benchmarks so we can rate if it was above or below average performance, and
- Realistic foundations for future claims (rather than the 'BS' claimed by some developers for local projects)

We are currently lacking, both in these business standards and in having enough professionals who understand the nature of this information and can present it in layman's terms.

To support transparent decision making, investors need suitably qualified and trusted professionals to give property investment advice that supports their wealth creation.

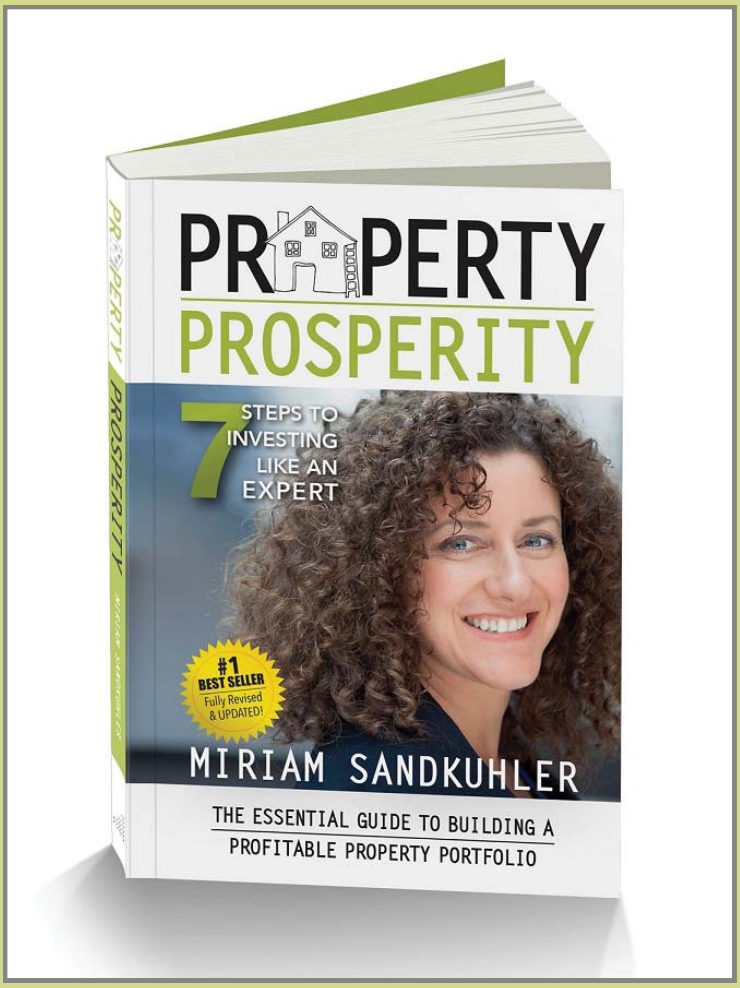
To achieve this, investors need:

1. **Modelling tools** that represent the real estimates for projected cash flow when buying, holding and selling the property
2. **A custodian of their personalised property investment strategy,** with sustainable investment entry, holding and exit outcomes
3. **Risk mitigation support** so they can hold a property over their lifetime and realise the benefits as 'retirement' income. This will support successful wealth creation and enable them to become independently funded retirees.

However, most investors don't have access to such professionals. In all states and territories, when a real estate agent acts for the Vendor/Seller, they are prohibited by law from acting for the Purchaser/Buyer in the same transaction. Currently most 'so called' property investment advisers are offered by Vendor/Selling agents without disclosure of their vested interests – i.e. they aren't telling investors they are working for the Vendor and making a commission.

What's wrong with that you may ask? Well, in all states it's against the law not to disclose a vested interest. I question why would they go to all that effort to not be transparent to the buyer, if what they were selling was so fantastic?

If you take just one piece of wisdom from this booklet, let it be that you need to know the right questions to ask to understand what is being presented to you, and to understand who the presenter represents in the transaction. From here, you will be better prepared to make informed decisions.



Available at:
Amazon.com and propertymavens.com.au

THANK YOU

Thank you for taking the time to read this guide – I appreciate that your time is valuable.

I am passionate about helping property investors to achieve their goal of safely creating financial security and independence for themselves and their family.

This guide has been designed to provide you with information and tips that you can implement for your benefit immediately.

It should result in making a positive difference to your property-investing journey, so you can enjoy **property prosperity** in your lifetime.

Wishing you a prosperous property investing outcome.

Miriam Sandkuhler

Founder, Accredited Property Investment Advisor, Buyer Advocate and Author

PROPERTY MAVENS

CONTACT US

Call: (03) 9988 2266

Web: www.propertymavens.com.au

Email: info@propertymavens.com.au

LinkedIn: Miriam Sandkuhler

SOCIAL MEDIA

Facebook: www.facebook.com/PropertyMavens

Twitter: @propertymavens1

FREE RESOURCES

To rate your property expertise and download property buying related consumer guides, investor and landlord resources visit www.propertymavens.com.au

PROPERTY MAVENS®