Winner

Cash flow positive properties the key to Prue's early retirement

Prue Muirhead accumulated $3.5m worth of property and retired at 39 – not bad for someone who sees property as "just a hobby". *Mollie McGuigan* reports

With a positively geared portfolio worth $3.5m and having already retired, it's no wonder Prue Muirhead's friends call her "a living example of what life's all about".

Within one year, Prue accumulated five investment properties and profited $364,000. In less than two years, she retired – the standout winner, then, for *Your Investment Property* and RUN Property's Investor of the Year Award.

The bubbly mother of two has enjoyed enviable success with her investments and, she says, it's down to a few simple factors. "Buy as early as possible, borrow as much as possible, hold it forever and don't pay capital gains tax."

However, life hasn't always been so easy. Until 2006, Prue, 40, and her husband, Andy, 41, were juggling their entertainment business in Adelaide and had yet to put away any savings for their retirement or build a nest egg for their children, Casey, 11, and Benson, 9.

Out of the rat race

"I employed five staff and I had to go back to work the day I left hospital after the birth of both my children," says Prue. "We had no super and I thought we would be in trouble if we didn't make some changes."

The first investment property they bought was a two-bedroom house in Hove, Adelaide, as a base for Casey and Benson when they leave home.

"My sense of finance really hit home to me when I bought the property in Hove," recalls Prue. "I worked out the rent, capital gain, rates, taxes and interest rates and I realised I was actually making $160 a week. The business was going well but we were making more money in capital growth than we were by turning up each day. I worked out that we were making nearly $200,000 a year in capital growth and I thought: 'Why would I work 40 hours a week and let my energy be zapped?' I want to spend time with my kids."

That was the turning point for Prue and after 15 years in business, she sold it but retained the commercial premises. Four months after they sold the business and retired, Prue invested in four units in Mildura, Victoria. In May last year, she bought a renovation project – complete with a three-bedroom house and a one-bedroom unit – in Park Holme, South Australia. Altogether, the couple owns 13 properties – their family home in Brighton, Adelaide; the commercial premises, also in Adelaide; and 11 residential investment properties around Victoria and South Australia.

Investment strategy

"I adopt a buy and hold strategy because it's not very risky," says Prue. "I'm planning to never sell, so I never have to pay capital gains tax. I don't value the option of selling because I can generally access the money anyway."

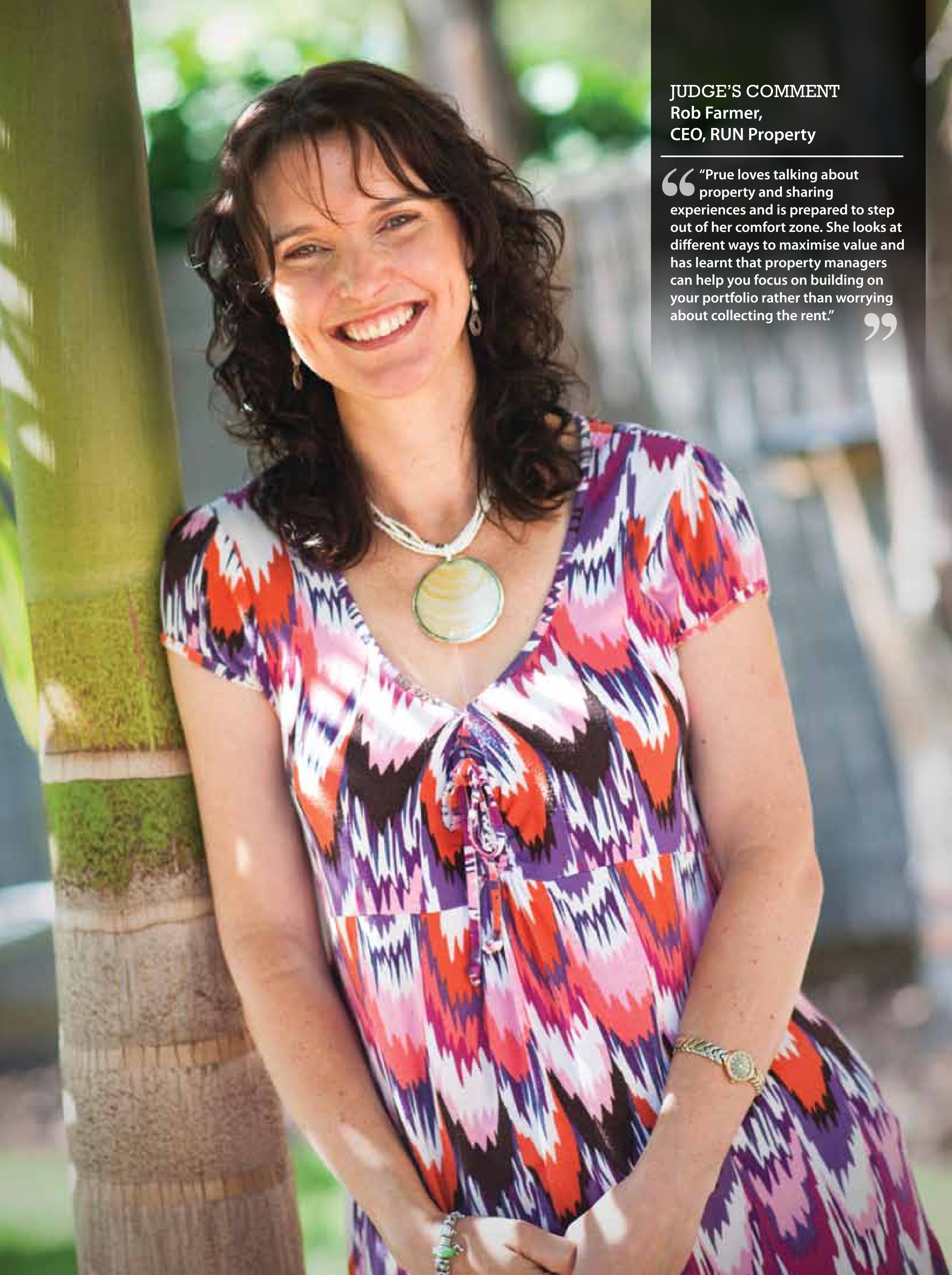
To enable Prue to hold on to her properties, she buys cash flow positive properties.

"I now only buy positively geared properties in strong locations with capital gain potential," she explains. "I leverage these properties with a 100% lend. Generally, this will consist of a 20% borrowing from a previously purchased investment property (or our own home) and an 80% lend for the new investment property. I try to use as little of my own money unless it's for a renovation cost. When the renovation is complete, I get the lender/bank to re-visit the property and I take 'cash out' to bring the loan back to 100% lend including the renovation cost."

Because the Muirheads' portfolio is positively geared, their borrowings are paid off by the rent and their own expenses are also covered. "Each of these properties is like a bank to me – at any time I can call on that bank to release some funds and buy another positively geared property," she says. "Even if interest rates go up it will make

Prue wins a $28,890 prize pack consisting of:

- $5,000 worth of RUN Property Management services
- A $10,000 scholarship from RUN Property Management to a CCorp Property Development education course, including the live three-day course, home study kit and feasibility software
- A Property Velocity DVD Home Study course and manual and a Pulse Property Annual Property Research subscription courtesy of RUN Property Management
- A one-hour personal strategy session with Michael Yardney of Metropole
- 'Real World' workshop CD and notes pack from Metropole
- Placement in the Advanced Property Investing course from The Property School
- A selection of reports (sinking fund, insurance or cost plan) from Washington Brown
- A selection of myrpdata.com reports from RP Data



JUDGE'S COMMENT
Rob Farmer,
CEO, RUN Property

> **"Prue loves talking about property and sharing experiences and is prepared to step out of her comfort zone. She looks at different ways to maximise value and has learnt that property managers can help you focus on building on your portfolio rather than worrying about collecting the rent."**

JUDGE'S COMMENTS
Tim Lawless,
Research director, RP Data

"Prue has demonstrated a rational investment logic and maintains a long-term outlook on her investments. She has shown a solid understanding of investment fundamentals, buying in the 'second best' areas with the objective of capitalising on demand as it ripples away from the more popular areas. She has also demonstrated that she knows how to maintain a good professional relationship with her tenants and understands the necessity of ensuring her properties are well maintained. She has been very innovative in her investments as demonstrated through her commercial property acquisition that involved an exchange of access for additional land with her neighbour."

financing easier to get." Prue also looks for properties with a 'twist' – usually the ones that other investors/homebuyers would not consider. "I do always look for a property with an added bonus," she says. "These can include changing the use of the land, turning a single property into a dual rent or adding value through renovations. This helps me buy under the true value. I would then rent it out under the median price for the area. If people lose their jobs, they will rent a cheaper property and that will benefit us. I don't think we'll ever have trouble getting tenants for these properties. In buying smaller properties you have smaller land value, so you will be paying less land tax as well."

Through her understanding of property investment fundamentals, Prue has also been able to spot suburbs that are in line for good growth.

"I watch areas that have increased in value and try to buy in a neighbouring area that is yet to increase," she explains. "I think if an area spikes up in value, the suburbs surrounding it are quite likely to follow soon after."

Keen business sense

Prue's investment nous was apparent early on when she bought a commercial property with a 'right of way' to the rear access. When a company next door wanted to expand and was blocked by her driveway, she offered to sell it to them. "They said no so I asked for land as payment instead, which they agreed to. I exchanged the 'right of way' (which my commercial property was unable to use anyway) for additional land from the commercial neighbour. This enabled the neighbours to develop their property and

Prue's portfolio

Location	Type	Purchase date	Purchase price	Renovation costs	Current value	Rent per week	Rental yield	Profit
North Brighton SA	4-bed home PPOR	Apr 1997	$147,000	$20,000	$600,000	*$550	17.1%	$433,000
Adelaide SA	Commercial	Jun 2002	$225,000	$20,000	$750,000	$716	15.2%	$505,000
Hove SA	2-bed house	Jun 2006	$220,000	$2,000	$330,000	$280	6.6%	$108,000
Mildura VIC	3-bed house	Nov 2006	$148,000	-	$190,000	$190	6.7%	$42,000
Mount Barker SA	3-bed house	Feb 2007	$215,000	$1,000	$330,000	$290	7.0%	$114,000
Davoren Park SA	3-bed semi	Mar 2007	$110,000	-	$160,000	$170	8.0%	$50,000
Davoren Park SA	3-bed semi	Mar 2007	$110,000	-	$160,000	$180	8.5%	$50,000
Mildura VIC	2-bed unit	Oct 2008	$82,500	-	$125,000	$130	8.2%	$42,500
Mildura VIC	2-bed unit	Oct 2008	$82,500	-	$125,000	$130	8.2%	$42,500
Mildura VIC	2-bed unit	Oct 2008	$82,500	-	$125,000	$135	8.5%	$42,500
Mildura VIC	2-bed unit	Oct 2008	$82,500	-	$125,000	$135	8.5%	$42,500
Park Holme SA	4-bed house & 1-bed unit	May 2009	$267,000	$45,000	$500,000	$600	10.0%	$188,000
Totals			$1,772,000	$88,000	$3,520,000	$3,506	Av yld 9.4%	$1,660,000

** Only rented out for a year while the Muirheads travel* gave me the opportunity to increase the size of my land hold by an extra 45%. This increase changed my options for development in the future. No money changed hands. The additional land has increased my property value by $200,000."

In October 2008, when the doom and gloom was at its peak, Prue bought a block of units that were positively geared. "Once I strata title the units, the capital value will increase by more than $200,000. I also ensure that I purchase properties in a variety of locations. I always try to spread my investment locations to allow for varied market conditions."

Good role models

Prue's success isn't down to luck – far from it. The former disc jockey comes from a long line of property investors, including her real estate agent parents and her two property investing brothers.

"We all took a leaf out of my father's book," she reflects. "But it wasn't given to us on a platter – he only gave us education, not money. My father was a real estate agent and he retired very young. My parents decided that if they purchased 13 freehold units they could retire. They retired in their mid-40s, which was well before they expected to."

Along with her parents, Prue's other inspirations come from property gurus Margaret Lomas and Robert Kiyosaki, and her husband, Andy. "He's the one who encouraged me to enter this competition. When I saw it, I just turned the page! He put it in front of me two or three times before I entered."

Prue is keen to pass her knowledge on to her children and uses the board game Monopoly to highlight the basics. "One day we'd like them to take over from us," she says. "I made out my will a couple of years ago and we ensured they can't sell any properties until they are 25, to protect the capital growth."

Keeping tenants happy

Prue has managing agents for eight of her investments and manages four herself, but she remains as generous to the tenants as she does to others in her life. "I give my tenants movie tickets or champagne because I want them to look after my property," she says. "I've also picked up the excess water charges for one of my loyal and reliable tenants. I view my tenants as my employer; they pay me my wage in the form of rent," says Prue.

"I charge only market rent and I ensure this is regularly monitored. I believe a large jump in rent may encourage the tenant to move out. I ensure my properties are presented and maintained to an excellent standard. I do make sure the tenants know that I am looking after them and they need to do nothing more than pay their rent on time and look after the properties."

Prue has a strong sense of community spirit, volunteering at Centrelink and doing the occasional work with property investment students at TAFE.

She also likes to mentor friends and most recently, she helped one of her friends buy a block of units in Mildura. Prue estimates that within 12 months, her friend will have made $80,000 after costs. "There are opportunities out there, you just have to look," she says. "I have a lot of people lean on me and ask 'where should I buy?' But often those people are working in the rat race, earning their money, working full time and they're focusing so much on making someone else money that they don't stop and think about property."

However, she won't be around to dish out presents for the next year as the whole family are heading off around Australia in their caravan to make up on the time lost while Andy and Prue were working flat out in their business.

"We've got an 18ft caravan – it's not flash but it does the job," laughs Prue. "We're going to use Open Access Learning to school the kids and the rent on our Brighton home will pay us while we're away."

Prue won't be putting her investing on hold, though – with help from the banks, she will have the purchase capacity of $800,000 ready for the next deal. "I think my next purchase will be a block of units because there's more opportunity to be positively geared, and I will probably pick up some little houses while we're travelling," she says. "I have no idea where I'll be buying, but this trip will be the perfect opportunity to find out. Property has provided us with the freedom to do wonderful things, but the real drive is my husband and two young children."

Runner up

Young and wise

Mathew Cosgrove has a property portfolio worth $3.7m and a trust designed to support his siblings. It's impressive, considering he started with just $20,000 in his pocket; plus he's only 25 and still renting with his mates.
***Mollie McGuigan* reports**

When Mathew Cosgrove decided he wanted to buy his first property, the thought of living in it never occurred to him. After reading a stack of investment books and visiting a property seminar, he recognised the benefits of renting while building up his portfolio.

Mathew wins a $22,230 prize pack consisting of:

- $3,000 worth of RUN Property Management services
- A $10,000 scholarship from RUN Property Management to a Renovating for Profit education course, including the two-day workshop, DVD Home Study course, Feasibility software, Immediate Access Contract, and a Harvey Norman Commercial trade account allowing 25–30% discount on purchases
- A Pulse Property Annual Property Research subscription
- A one-year personal mentorship program from Metropole
- Placement in the Fundamental Property Investing course from The Property School
- Two residential depreciation reports from Washington Brown
- An RP Data National Suburb Scorecard report

And the youngster's done good. In 2007, at just 23, he bought his first block of land in Moranbah, Queensland, using the $20,000 he had invested in a managed fund. Three years on, he has four up-and-running properties around Brisbane and a further three under construction – and he still lives with his friends in a shared house.

"I didn't want to go around the same track as a lot of people who buy a house and pay it off in 30 years," says Mathew. "I thought if I could buy an investment property that paid itself off, I'd be able to buy another one straight away."

His first investment – two five-bedroom developments built on blocks of land in the mining town of Moranbah – made an equity gain of $240,000 as soon as the keys were handed over. "I knew $3bn was being spent there in the next year, I knew the town's population was going to increase by 50%, and I knew there was a housing shortage," says Mathew. "After that I had my base; I had the high cash flow and equity."

When Mathew bought the block in Moranbah, the covenants on the land stipulated the houses should be brick, three-bedroom, and two-bathroom houses. However, with Moranbah enjoying a boom, local builders were hard to find and expensive to hire – but Mathew had a plan to overcome this hurdle. "You can get transportable houses in brick and add to them and you'd never know whether they've been built on site or not," he says. "I did that and saved myself about $80,000."

Humble beginnings

He hadn't always been so savvy – prior to 2007, Mathew was much like any other young man starting out. "I went to university for a couple of years, had a good time and then started working," says Mathew. "Then I decided I didn't want to do that forever, and chose to do something about it."

Two and half years ago, Mathew was working in an office and his life was very different. "I was trying to show initiative by putting forward all these ideas to my managers; coming up with reports and documents to show them how these ideas would work. But they just weren't interested and said I should focus on my work, otherwise my career wouldn't go very far. To say the least, that made me pretty angry! I basically hit a snap point."

Mathew's frustration led to an epiphany as he realised there is a better way of making money, one where his own initiative and work can be appreciated. That same day, he went to a bookshop and bought a property-investing book – Steve McKnight's *From 0 to 260+ Properties in 7 Years* and was inspired to create his own wealth.

"It opened my mind up to what I could do – I then bought every property book I could find, read about strategies and then combined all the good ideas and created my own," he says. "An engineer doesn't become an engineer without an engineering degree, so why would I buy a house and not learn about everything involved? The initiative and research skills that had gone unappreciated at my workplace suddenly found a focus as I educated myself about property investment. You can't beat experience – it's the best learning tool – but if you go in equipped with knowledge by getting a property education, you're 300 times ahead of the rest of the pack."

Building his portfolio

Mathew is a hands-on investor – he holds down a full-time job as an environmental scientist and carries out all the renovations on his properties.

In early 2009 he bought a 607m^2 block of zoned low to medium residential land in Nundah, with the intention of renovating the existing property and building two more.

"I ripped out all the walls and ceilings, the kitchen and bathroom, and I had to put roof beams in," recalls Mathew. "My two friends who are builders came and helped me, and we did it all in five weeks. Doing it this way saved me $80,000. It was a massive job but it taught me what to expect in the future."

However, for the final two properties Mathew has got the professionals in. By August 2010, there will be two three-

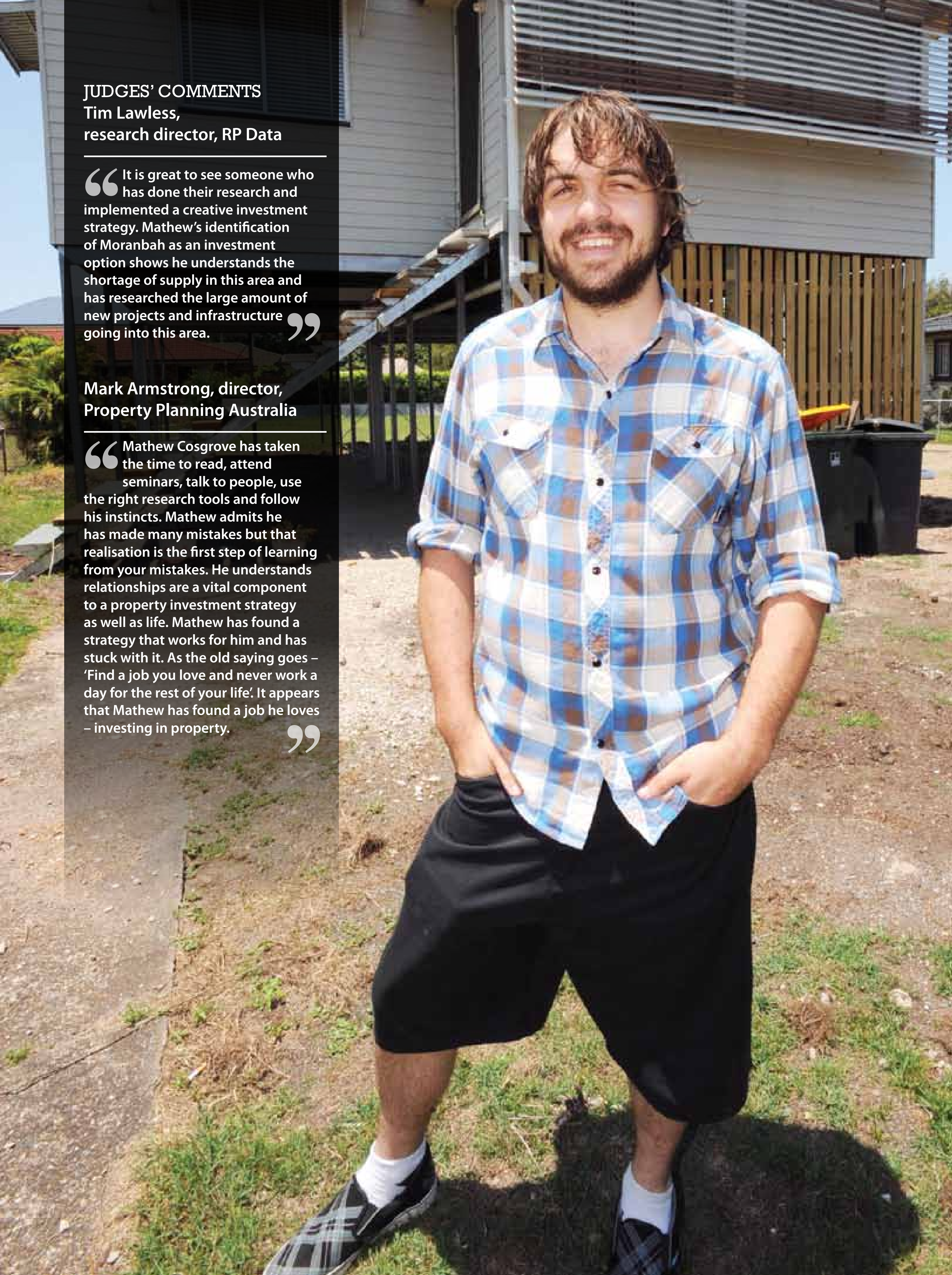
JUDGES' COMMENTS

Tim Lawless, research director, RP Data

"It is great to see someone who has done their research and implemented a creative investment strategy. Mathew's identification of Moranbah as an investment option shows he understands the shortage of supply in this area and has researched the large amount of new projects and infrastructure going into this area."

Mark Armstrong, director, Property Planning Australia

"Mathew Cosgrove has taken the time to read, attend seminars, talk to people, use the right research tools and follow his instincts. Mathew admits he has made many mistakes but that realisation is the first step of learning from your mistakes. He understands relationships are a vital component to a property investment strategy as well as life. Mathew has found a strategy that works for him and has stuck with it. As the old saying goes – 'Find a job you love and never work a day for the rest of your life'. It appears that Mathew has found a job he loves – investing in property."



Mathew's portfolio

Location	Type	Purchase date	Purchase price	DA costs	Renovation costs	Current value	Rent per week	Yield	Profit
Moranbah	New 5-bed house	Sep 2007	$430,000	na	na	$550,000	$900	10.8%	$120,000
Moranbah	New 5-bed house	Sep 2007	$430,000	na	na	$550,000	$900	10.8%	$120,000
Nundah	3 bed post-war house	Jan 2009	$442,200	$65,000	$85,000	$440,000	$365	4.0%	-$152,200
Banyo	4-bed house	Mar 2009	$415,000	$50,000	$80,000	$425,000	$395	4.0%	-$120,000
Nundah 2	3-bed, 3-bath house	na	$250,000	na	na	$530,000	$450	9.3%	$280,000
Nundah 3	3-bed, 3-bath house	na	$250,000	na	na	$530,000	$450	9.3%	$280,000
Banyo 2	4-bed, 2-storey house	na	$264,000	na	na	$560,000	$450	8.8%	$296,000
Total			$2,481,200	$115,000	$165,000	$3,585,000	$3,910		$823,800

bedroom properties in place, which will both be rented out.

His most recent investment was a block of land with an existing four-bedroom house, this time in Banyo, Queensland. "It's 850m² and I've just sub-divided it," he says. "It was a cheaper Brisbane suburb with homes under the median house price, there's a train station nearby and there are reliable employment drivers." Building started in January and by April, Mathew will have his fifth property – a four-bedroom house – ready to rent out.

"My overall property strategy is to buy, create equity, and mostly hold the properties if I can, depending on serviceability. Then I draw down on the equity created and do it again. I began with a highly positively-geared property to get me started, so I didn't have to worry about servicing the loan as much."

This positive cash flow has helped Mathew cope with holding costs and boosted his borrowing power as well.

"I believe the buy and build for income (positive cash flow) strategy was the best for me to start my property journey as it gave me the base to then look for development opportunities. By understanding that I can hold onto assets that pay for themselves has gotten me a lot further than if I hadn't known that."

Lessons learned

Mathew admits to making plenty of mistakes along the way, even after attending countless seminars. While he's got no regrets, there are a few things that Mathew would have done differently.

Moranbah

- **Mistakes**: Searched for more than two builders. I believed the builder – bad idea. It took 12 months to build a house.
- **Lesson:** Should have gone to Moranbah sooner than I did in order to finish the project faster. I had to help complete site works because the builder was not good.

Nundah

- **Mistakes**: I didn't account for all the council fees involved with the development so I used part of my contingency fund to cover the shortfall. I didn't have all the tools for the renovation so I had to buy them. I should have taken that into account. I wasn't sure of the architect drawings, so I changed my mind, which ended up costing me more money. Again, I used part of my contingency fund to cover the shortfall.
- **Lesson**: Next time I will know exactly what I want from the concept stage, so I won't change my mind and have to fork out extra money.

Banyo

- **Mistake**: Not understanding timing of all development issues, ie knowing that council treats the sewer and water mains connections separately as they are in two different sections. Not realising this cost me six weeks in lag time.
- **Lesson**: Next time I will get a civil engineer to do the designs and deal directly with council on behalf of myself to save time and money.
- **Mistake**: Didn't get enough bins when demolition was occurring and the bob cat left too soon. As a result, my friend Angus and I were moving heavy cement by hand for a day to clean up the site.
- **Lesson**: Next time I will get an extra bin to make sure there are enough.
- **Mistake**: Assuming the bank would give me the money to proceed onto the next step as I am doing the development on a step-by-step basis, which includes creating equity and drawing down on it in order to move forwards. The bank didn't give me the money. However, they did give me a $40,000 holiday loan. We shifted the house to comply with the DA conditions to get the extra land title for the sub-division, and also raised it higher, which then enabled me to get the money required from the bank. It was stressful but it worked.
- **Lesson**: Next time I know what the bank will do, so I will be prepared.

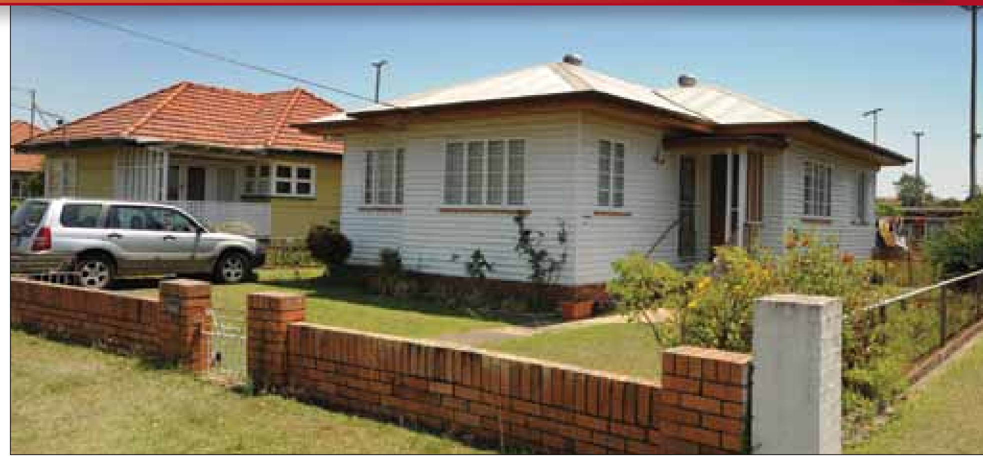
Mathew adds, "For most people stuck in a job that they find frustrating, however well paid it might be, their wage or earning capacity is nothing compared to what property development can offer. It's exciting, its potential is enormous, and I love dealing with people, which is what real estate is about."

People person

On top of his investment smarts, Mathew is acutely aware of the importance of loving thy neighbours if he is to get ahead in the property development game.

"I think neighbours are really important – they can be the difference between letting you do what you want or not allowing it," he says. "Becoming friends with my neighbours has saved me so much time and money and we look out for each other."

Indeed, his neighbours at one of his properties allowed him to dig a sewer on their block; another neighbour exchanges presents with him; and most recently, he was there to help out a neighbour in strife. "I was doing some renovations at one of the properties and the next-door neighbour had a heart attack in his garden," says Mathew. "I was there for him and waited with him until the ambulance arrived – it's things like that that are important in neighbourhoods." His family has also been very supportive, particularly his dad who comes to help him out. "My dad is semi-retired so he comes up and helps me out with the renovations," says Mathew. "It's been a bit of a bonding experience. He thought I was mad at first but now the whole family is really proud of what I've achieved."



A thoughtful investment

Mathew has repaid his parent's support by setting up a trust, which his younger brother, Ben, sister, Rebecca, and parents have a share in. "I have a 60% share and the rest is split up between my family," says Mathew. "I use the trust for borrowing capacity and when my brother and sister are ready to start investing, I'll increase their shares so they'll have more borrowing capacity."

The family trust contains one of the Moranbah properties and a Nundah property, while the other Moranbah property and a Banyo property are in Mathew and his friend Angus Mawn's name – his best friend and joint venture partner. "Angus and I are both from Roma [in Queensland] and we share the same goals," says Mathew. "There have been some difficult times but we're both trying to reach the best outcome and generally we compromise."

Still, it must be odd sitting on a $3.7m property portfolio and living in shared accommodation in Brisbane's Camp Hill. "A little bit, I guess, but it suits me and I really like living with my friends," says Mathew.

"My housemates are starting to get motivated – I give them a lot of tips and I'm always looking for joint venture partners!"

A long-term view

In just three years, Mathew's experience has come full circle – he's now helping others. He's even been asked to contribute to local property seminars. "I was nervous but I was glad I could help educate people about their potential," he says. "When you have everything to gain you have nothing to lose. People are afraid of the losing part but if you mitigate risks, in my mind, you have everything to gain."

Mathew is very focused on the long term. He has a financial plan that will take him to when he retires – hopefully at 35. "I will buy and hold because you can earn a greater amount of money in the long term, but to do that I need a property to pay for itself because my salary isn't enough to pay for the numerous properties," he says. "I need to either develop property with a neutral return or sell some of it and move on with the equity I've created."

Mathew has calculated that if he builds up $6m worth of property, with around $3m worth of borrowings, he will be able to retire. "I will buy my eighth property in Brisbane," he says. "I also like Melbourne because the infrastructure fees are lower and the little towns by the beach have infrastructure plans."

Of course to do this he needs the bank's support, and the global financial crisis certainly has been a hurdle. "Because I don't have lots of capital behind me I'm doing my development stage by stage," he says. "I have enough money to pay for the development approval and the renovations and then I have to get the valuer to come back in. Then I go back to the bank and they loan me the money for the next development. It can be a long process."

So has all this made Mathew want to move into his own place? Not a chance. "It's cheaper for me to rent a room for $140 a week than to pay $500 a week on a house mortgage," he says. "This way, I have more capital to invest in another investment home!"

Runner up

Superwoman

A former bank teller, Anne Morelli was a single parent with three teenagers and nowhere to live – until she bought a block of land that changed her life. *Mollie McGuigan* reports

In 1992, Anne Morelli was going through an unsettled period in her life. She'd recently split up with her husband and was desperately searching for a new home for her and her three teenage children. With only a part-time wage to survive on, Anne bought a block of overgrown land in Warwick, Queensland for $12,000 and with the help of her family, set about cleaning it up.

One problem remained though: what would they live in? Anne couldn't afford to build a house – instead, she had one delivered. Anne invested $35,000 in two transportable homes from nearby Toowoomba. They lived in "near poverty" in one of the houses, and within six months had renovated the other and rented it out. Anne's resilience helped turn around the family's fortune and marked her very successful foray into property investment.

"My children were teenagers; we had little money but I was determined not to pay rent," recalls Anne. "My brother and mother helped me clear the site and I did a lot of work on the properties myself – I learnt about painting and angle grinders and hired contractors to do the more difficult work. It was amazing."

No more 9 to 5

Since that tumultuous year, Anne, now 59, has bought and sold nine properties and used the proceeds to build her portfolio. The nine properties she holds now are worth $2.6m and have made her $1.2m in profit so far. In 2005, she hit the one-million-dollar mark and promptly retired from her bank teller job, which she had held for 30 years. "My ultimate goal was to be financially independent and not have to work," says Anne.

Indeed, the land in Warwick wasn't her first investment – she bought a block of land when she was 23 and another when she was 32 "because … it was near impossible to get ahead just by savings". She subsequently sold them to meet debts but they were by no means unsuccessful: they were the perfect training ground for later on.

After her success in Warwick – she sold the two properties in 1997 and made $70,000 profit – she decided to invest further but it wasn't a natural transition.

"I wasn't confident enough to be a serious investor but I saw an advertisement in the newspaper for defence housing and it sounded brilliant, so I bought one in Boondall, Brisbane, that same year," she says. "The only way I could afford it was because the properties in Warwick were positively geared – that's when I saw the potential in owning multiple properties and started reading up on investing and going to seminars."

Investment strategy

"I started serious investing about 10 years ago, when my gut feeling was telling me that property generally was seriously undervalued, and I was desperate to buy as many properties as soon as I could," recalls Anne.

Anne was compelled to seek out positively geared property only, but she didn't just want cheap properties. "I wanted properties that had something going for them. So I bought properties near the water, close to upmarket suburbs, as well as those near employment hubs."

Anne's main property selection criterion has been to pick properties in the next wave out from the city.

"The trick is to work out where the wave is at, where it's going, and buy just outside it. This ensures that properties are affordable, both for me to buy (and therefore to sell, when needed), and for tenants to rent. In addition, properties need to be near transport, shops, schools, employment, etc.

"I've also discovered it is beneficial to have some simple 'cheapies' that are easy to sell when a bit of cash flow is needed. I've made some good profits from buying a few cheapies – and keeping them for the minimum 12 months, selling them, and using the profits to purchase properties in locations with greater potential for future capital gain."

There have been some difficult times, especially in the beginning. "I was earning less than a check-out chick – in fact I probably would have been better off getting a job as a check-out chick," she laughs. "At one stage I was stalled because the bank wouldn't lend me any more money, so I went through a broker and bought two properties. Once they were up and running and positively geared, the bank was quite happy to lend me more money!"

Her strategy to get around strict lending rules is to buy positively geared property and negotiate the initial price. "A real estate agent once told me that you make your money when you buy, not when you sell," she says. "I work out what I think is a fair price and what works for me – I don't want to rip anyone off, but most sellers put a higher price on their product and expect some negotiation. And if it doesn't work for me financially, I walk away."

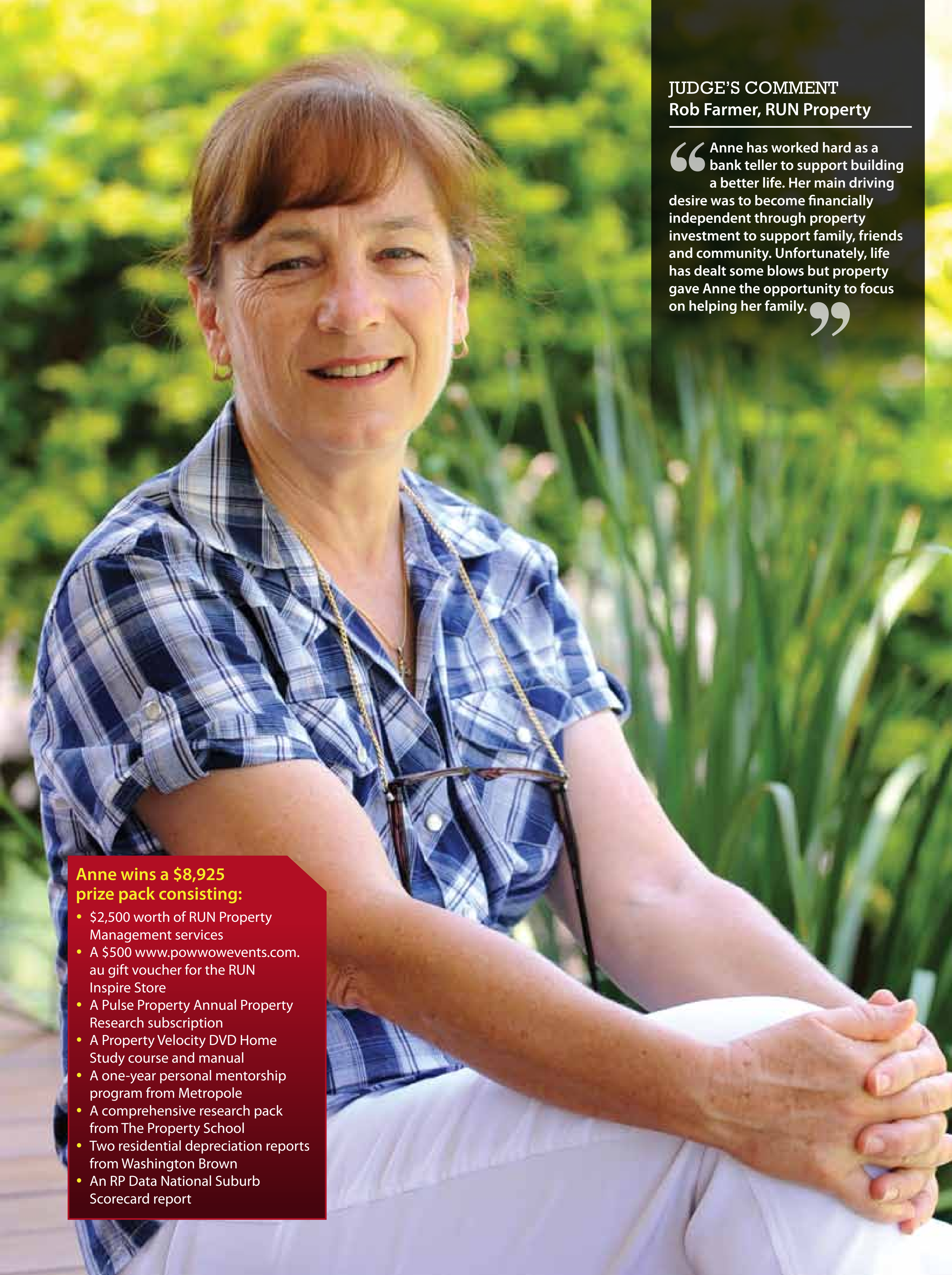
Anne also discovered what she calls her 'Two Property Strategy' – which is if you find a great opportunity in a particular area, buy two.

"This has worked every time for me. I built two houses in the same street in Narangba, bought two established homes in both Deception Bay and Mount Morgan and two blocks of land in Kulpi [all in Queensland]. These all enabled me to own one property outright, in one case within 12 months."

Another favourite strategy of hers is to buy properties that already have multiple income streams, or have the potential to be developed for an additional income stream.

Sharing the spoils

"I had no one supporting me – in fact, everyone tried to talk me out of it because it involved a lot of money



JUDGE'S COMMENT
Rob Farmer, RUN Property

"Anne has worked hard as a bank teller to support building a better life. Her main driving desire was to become financially independent through property investment to support family, friends and community. Unfortunately, life has dealt some blows but property gave Anne the opportunity to focus on helping her family."

Anne wins a $8,925 prize pack consisting:

- $2,500 worth of RUN Property Management services
- A $500 www.powwowevents.com.au gift voucher for the RUN Inspire Store
- A Pulse Property Annual Property Research subscription
- A Property Velocity DVD Home Study course and manual
- A one-year personal mentorship program from Metropole
- A comprehensive research pack from The Property School
- Two residential depreciation reports from Washington Brown
- An RP Data National Suburb Scorecard report

Anne's portfolio

Location	Type	Purchase date	Purchase price	Renovation costs if applicable	Current value	Rent per week	Yield	Profit
Clontarf	1-bed flat	Dec 2000	$120,000	$5,000	$420,000	$170	7.3%	$280,000
Clontarf	3-bed house	Dec 2000	On same title as Clontarf flat	$15,000		$240	10.4%	
Caboolture	3-bed house	Jan 2002	$110,000	$2,000	$240,000	$245	11.5%	$128,000
Deception Bay	4-bed house	Jan 2002	$90,000	na	$260,000	$240	12.8%	$170,000
Narangba	4-bed house	Mar 2003	$155,000	na	$350,000	$300	10.6%	$195,000
Blackbutt	Land only	Mar 2003	$30,000	na	$55,000	na	na	$15,000
Kallangur	3-bed house	Mar 2007	$230,000	$5,000	$460,000	$285	6.4%	$225,000
Kallangur	1-bed flat	Mar 2008	$110,000	na	$460,000	$200	9.4%	$115,000
Mango Hill	5-bed house	Jan 2006	$330,000	na	$430,000	PPOR		$100,000
Total			$1,175,000	$27,000	$2,675,000	$1,680		$1,228,000

and a lot of debt. I didn't know anyone else who was doing it, so I bought the newspapers and spent hours on the internet. My strategy was to buy as close as possible to the city, or near water, and where there was a demand for rentals."

However, property investment isn't just about personal gain for Anne – she also uses her wealth to help others. She rents two of her properties to the housing commission, donates to charity and until recently, worked one day a week with the Salvation Army.

"My other concern is housing for the disadvantaged. I have had two properties leased to a Community Housing Group for a number of years, and another rented to a wonderful lady who fell on hard times, after being very kind to me years ago. These three properties are leased at well below market rent, but are stable, and have worked out wonderfully well. It's really true – if you give, you get back many times over, in many ways – and from the most unexpected sources sometimes!" enthuses Anne.

She also enjoys mentoring, both to her daughter, Tania, and to her friends. "A lot of my friends have seen the life I have and are getting interested in property too," she says.

Family first

At the heart of Anne's property investment is the desire to support her family. In 1996, Anne met her partner Malcolm – a motorcycle touring enthusiast like herself. They took four months out to travel around Australia in 1998 – him on a Yamaha Cruiser, her on a Harley Davidson. But then in June last year, Malcolm was diagnosed with inoperable lung cancer and has needed round-the-clock care since. Anne's investment portfolio has given her the freedom to support Malcom.

"This last six months has been very hard – I don't know how we would have coped if I'd had to work," she says. "Malcolm is very proud of me."

The mother of three has also helped her children out – in particular her daughter, Tania. The 30-year-old has bought three properties under the guidance of her mother. "It's down to me that she's investing in the first place but she's taken it on herself," she says. "Quite often friends ask me for tips too – one bought three properties with my encouragement, and another bought her first property this year."

Secrets to success

Not all of Anne's properties have been a roaring success but she is satisfied that she's never lost money. "My most successful property is a house in Kallangur, Queensland," she says. "I discovered that if your land was more than 600m^2, you were able to add a one or two-bedroom flat to the existing property and create a second income."

Anne paid $238,000 for the house and spent $110,000 on developing an adjoining flat and carport. She now receives $280 a week rent for the house and $200 a week for the flat. "The return on that is brilliant," says Anne.

She cites her least successful investment as a removal home project in Queensland country two years ago. "The removal house company didn't do their job properly and I had to employ others to fix it," says Anne. "I came out of it square but I didn't make anything. However, I bought a block of land in the same area and when I sold that, I made money, so it wasn't all for nothing."

Anne's resilience is astonishing. Despite two not-so-successful attempts at property investment and the pressure of caring for her sick partner, she continues to push forward. "I've learnt that you can still get caught out even with lots of research, but it minimises it," she says.

Her children – Tania, Wendy, 32, and Geffrey, 30, – are quite rightly very proud of their mum. "They appreciate what I've created and that I've done it to benefit everyone," she says. "I think they're a bit blown away by it all really."

If you are harbouring ideas of repeating Anne's success, her advice is simple. "You have to be dedicated – you have to do heaps of research, read books, go to open homes, talk to real estate agents and establish a relationship with an agent in the area you want to buy in," she says.

"I burnt the candle at both ends, juggling property and work. Instead of having nights and weekends off, I was going to seminars, reading books and magazines, driving around the streets and talking to agents, and buying more properties as soon as I'd achieved extra equity in my existing properties. I did this sometimes by just cleaning up a neglected property. I admit I'm a sucker for an unloved house – I just want to fix it up and make it happy again. This is a win/win strategy, as a loved house is always worth more. Happy house, happy tenant, happy agent, happy bank, happy me."

So what now for the heroic mother? "I'm selling a block of land in Blackbutt to create some more income but other than that, I'd just like to spend time with my family," she says. "You never know though – I like to keep an open mind to opportunities and you never know what will be around the next corner."