



Winner

Rags to riches

Patrick Cornwell has turned his life around, from being broke, unemployed and struggling with a mountain of debt to becoming a multimillion dollar property tycoon in just eight years. Robin Christie reports

Patrick Cornwell was a stand-out winner in the eyes of our judges, and you'd be hard-pressed to find fault with their decision. In eight short years, this 46-year-old recently retired pilot has gone from being unemployed and broke to the proud owner of a \$10m property portfolio. He managed to do this using a total of just \$22,000 of his own cash and by leveraging the bank's money.

"Eight years ago I was broke, unemployed with debts, and I was really struggling to pay the bills and survive. It was not long after 9/11 and there had been a dramatic downturn in the global economy," Patrick says.

"I had been working as an airline pilot in Europe and lost my job. I was one-and-a-half years out of work and was forced to return to Australia to look for a job." While looking for a new job and picking up odd labouring

gigs to pay the bills, Patrick had a lot of time on his hands to read. He chanced upon *Rich Dad, Poor Dad*, by Robert Kiyosaki, and had something of an epiphany.

The book's tenet of accumulating assets to do away with the need for a paycheck really hit a nerve.

"I had a defining moment in my life where I realised I had to be in control of my finances and my future, and I couldn't just rely on a salary to get me to a comfortable retirement of my choosing," he says.

"I wanted to take control of my future so that I had options, and so that I would never again find myself in the same helpless financial situation."

First steps

Breaking free from the shackles of salaried employment is a goal that most human beings, let alone property

investors, can relate to. So how did Patrick do it? The answer, he says, was to follow a positively geared property strategy, "to leverage myself to a better life and escape the rat race".

While Patrick says that the key is to think big and not set yourself any limits, he had to start somewhere. By 2003 he had found himself a moderately well-paid job ferrying mining industry personnel in and out of Perth and, given his income at the time of \$55,000, he targeted the unit market as an affordable way to get his foot on the investment ladder.

"I was on a relatively low income at the time with very low purchasing power, so I chose apartments/units for their lower unit cost and better rental return to cover my holding costs. My strategy was just to take small bites of the apple and not to overextend myself, so that's why I went for units as opposed to houses," he explains.

Keen to avoid negative gearing, Patrick singled out apartments within a 5km radius of the CBD for their combination of high yields and good potential for capital gains. Little did he know that, on the back of the impending mining boom, rents would soon go through the roof.

"At the time I had no inkling as to what was going to happen on the mining side. It was just that property was very affordable on a relatively low income at the time, particularly if you bought units," Patrick says.

"Back in 2003 the rents weren't all that flash, so you had to add a bit of value to your property. But by 2005 the rents had started going up quite a bit, and certainly by 2007-2008 rents had practically doubled in a handful of years."

Between 2003 and 2005 Patrick bought himself three units in Perth as part of a strategy to build up a solid base of properties that wouldn't see him run out of capital or servicing ability. For Patrick, maintaining a positive cash flow was vital.

"I saw that other property investors had difficulty getting past three investment properties, and very few got to five. The limiting factor was invariably servicing ability, or lack of it. In other words, the brick wall was simply a lack of cash flow," he says.

JUDGES' COMMENTS

Gavin Taylor, Metropole

"A great success story – the result of determination and learning along the way. A result of a very hands-on approach to investing, the portfolio is a carefully managed mix – capital growth and cash flow, residential and commercial, with some sophisticated financing. This all points to the high level of expertise developed. A clear plan has been structured and implemented with the help of thorough research and local knowledge"

Carly Crutchfield, C Corp

"He jumped into the market with vigour and made informed decisions that returned well in yield and growth. He has made some mistakes but learnt his lessons which made him a lot more money later on. It's good to see that he has progressed with his portfolio and strategies and continued to phase into more advanced strategies, giving him diversification and higher returns. He has a good understanding of creative and alternative finance options but has also kept his current portfolio"

Tyron Hyde

"Eight years ago Patrick was broke, and he's turned his life around big-time! He now has a property portfolio of \$10m, and is an inspiration to all. Patrick discovered *Rich Dad, Poor Dad* and it turned his life around. Patrick thinks big and good on him for doing so ... if you don't have goals, you will never reach them!"

Tim Lawless

"Patrick successfully picked the start of the Pilbara boom – say no more! Although his 'mining town' strategy involved a high element of risk, it was a calculated risk with a well thought-out plan that has reaped Patrick a very large return. He has a solid strategy in place that is practical and forward-thinking"



Patrick wins a \$47,678 prize pack consisting of:

- \$30,000 in Capital 360 service vouchers
- RP Data 'I'm Investing' bundle
- RP Data National Suburb Scorecard Report
- Registration in C Corp Property Development course
- \$2,500 cash!
- 12-month *Your Investment Property* magazine subscription
- A Michael Yardney 15-month Mentorship Program
- A Platinum 12-month membership to NMD Data
- A selection of reports from Washington Brown
- 'Powerful Finance Tactics to Grow your Property Portfolio' DVD set from Metropole
- 'Building Real Estate Wealth in Changing Markets' DVD set from Metropole

Patrick's portfolio								
Location	Type	Purchase date	Purchase price	Renovation costs	Current value	Rent per week	Rental yield	Profit
Inglewood, Perth, WA	2 bdrm villa	May-05	\$195,000	\$20,000	\$450,000	\$330	8.00%	\$235,000
Two Rocks, Perth, WA	4 bdrm house	Aug-06	\$420,000	\$35,000	\$550,000	\$350	4.00%	\$95,000
Newman, WA	3 bdrm house	Jul-05	\$175,000	\$12,500	\$625,000	\$1,250	34.70%	\$437,500
South Hedland, WA	3 bdrm house	Nov-05	\$150,000	\$20,000	\$650,000	\$1,200	36.70%	\$480,000
South Hedland, WA	3 bdrm villa	Nov-05	\$140,000		\$600,000	\$900	33.40%	\$460,000
Newman, WA	4 bdrm house	Apr-06	\$185,000	\$70,000	\$730,000	\$1,450	30.00%	\$475,000
Wedgefield, Port Hedland, WA	2 commercial blocks (21,000m ² & 5,000m ²)	Sep-07	\$2,600,000		\$7,000,000	\$8,960	18.00%	\$4,400,000
Totals			\$3,865,000	\$157,500	\$10,605,000	\$14,440	Av 23.5%	\$6,582,500

Riding the mining boom

Having renovated his two units to quickly increase his equity and leveraging ability, Patrick started setting his sights on finding larger properties that would still offer the kind of yields he desired. Rents in Perth at the time hadn't yet skyrocketed, so Patrick decided to look further afield in search of better returns. He soon realised that the state's mining towns showed a lot of potential.

"I found after doing my research around Western Australia that the best areas to get positively geared property with good returns were mining towns. And the Pilbara region really stood out for me. I was flying up there every day and could see what was happening on the ground in terms

of company investment," Patrick explains. "Reading the papers back in Perth at the weekend and looking at the properties for sale you could see that that was where the better returns were going to be. I certainly didn't see at this point that there was going to be a boom. There was just a slow build-up in demand for property and the rents certainly spoke for themselves. So for me that was the way to grow my portfolio without running out of capital or servicing ability."

Patrick initially settled on Newman as an area that ticked all the right boxes for him. Being slightly nervous at the prospect of buying into a town whose property market was dominated by just one industry, he did a very clever thing ... "I canvassed a few of the contractors directly to find out what

their accommodation requirements were, and then purchased houses that met these requirements in the knowledge that I would have a tenant from settlement who was ready to move in," he says.

"So I was quite comfortable then to make a couple of quick purchases in Newman. And then I repeated the process in South Hedland as well."

And he did so during a brief blip in the area's economic cycle. "I was even more nervous about South Hedland at the start, because in 2005 BHP's iron briquette plant there had blown up. It was a big disaster and they closed it down after that, causing a lot of unemployment," he says.

With many ex-BHP properties coming on to the market, Patrick then decided to take the plunge and buy a couple of three-bedroom houses. He could see that, despite its tragic recent history, this was an area with great potential.

"The economy was moving in a new direction in terms of the new work that was coming on stream, so the properties were tenanted pretty much straight away. And within a short space of time the demand really revved up," Patrick says.

Patrick purchased four houses over a six-month period ranging in price from \$30,000 to \$180,000 which were all tenanted from settlement with a company lease, and positively geared. Median rent at the time was between \$300 and \$400 per week. Within 12 months the houses had more than doubled in price and now are worth \$600-700,000 or more each, and returning circa \$250,000 pa in rental.

(Median rent for these houses is now circa \$1,500 per week.)

Once again, having targeted an area for its positively geared property, Patrick unsuspectingly found himself in the midst of the kind of property boom that most investors can merely dream of.

"I remember the rents started going up in increments of \$200 a week. It was quite amazing really. I had a little bit of an inkling that things were on the up, but I had no idea it was going to be such a big boom. I don't know if anyone really did," he says.

Having hit boom town with immaculate timing, Patrick's now sitting on four mining town properties that each return a rental yield of more than 30%. The combined capital gain so far on these four properties alone is estimated to be a mind-boggling \$1.85m. Not bad at all for a combined purchase price of \$650,000 back in 2005-2006.

But that's not all. Two years ago Patrick purchased a share in an oil tanker with a group of investors that operates on a fixed contract with an ROI of 36% pa, paid monthly.

"I invested about \$250,000 and receive a nice monthly cash flow of around \$7,000 per month. We're currently trying to source a second ship, as the first has been so successful," he says.

Financing strategy

Unlike many investors, Patrick chose to use the same lender for security purposes. "I find it can be advantageous to build up a relationship



Patrick's oil tanker investment returns 36% pa

Having hit boom town with immaculate timing, Patrick's now sitting on four mining town properties that each return a rental yield of more than 30%

with a bank or relationship manager that understands what you're trying to do. I also use a broker when looking at new deals to compare funding costs with other institutions, but haven't found the need to move elsewhere and refinance the whole portfolio," he says.

Patrick also has all his residential properties insured at replacement cost for building and landlord insurance. The commercial properties are insured at replacement plus replacement time and cost escalation.

"I ensure valuations are updated regularly to keep the replacement values current," he says. "I have kept my LVR around 50% over the last couple of years during the GFC to ride out property price volatility which we've experienced recently. I buy undervalued property that requires renovation to manufacture quick capital gains to create an equity buffer and increase LVR. Then revalue and purchase another property secured against the previous, using 100% lend.





Having gone on to acquire a couple of commercial properties in Port Hedland, Patrick has recently retired from flying and achieved his goal of escaping the rat race

“I have sourced funds from the money market – market rates are quite different from domestic rates – using a 30-day bill (rollover) on my commercial funding, on a split 40/60 variable/fixed structure with a cap on the variable. This has protected me well when interest rates sky-rocketed in 2008, and I’m still enjoying the benefits of low market rates currently being experienced.

“I use fixed rates on consumer lending when the fixed rates are favourable. Also, positively geared

property isn’t as susceptible to interest rate movement as negatively geared property is.”

Lessons learnt

“If I could start all over again, I’d start investing earlier and buy more!” Patrick says enthusiastically.

“I’ve learnt the lesson of delayed gratification. I bought a car I couldn’t afford before buying my second property. It cost me investment opportunities and time. I learnt the lesson of not taking on any big debts

yourself: have someone else pay for it. I never want to be in a position where my own money is servicing large debt in case I lose my job again or run into financial problems. It’s far better to have someone else paying for it.”

Patrick also ensures that he’s not the only one benefiting from any transactions he’s involved in.

“When negotiating on price when purchasing a property, I like the final result to be a win-win situation for both parties. Everyone should make something on the deal, whether buying or selling, and go away happy.”

What’s next?

Patrick’s come a long way since his epiphany in the early 2000s. Having gone on to acquire a couple of commercial properties in Port Hedland, he recently retired from flying and is now on what’s fast approaching a seven-figure passive income. This is clearly a man that’s well and truly achieved his goal of escaping the rat race.

“I want to take time to smell the roses and do a few things other than flying. When you find yourself strapped to an aeroplane day in and day out, you really don’t have time to do all those other things that you’d like to do – like property development or spending time with family and friends,” he says.

Finally retiring from the daily grind only to jump headlong into a property development career might seem like an unnecessary move, but property investment is an addictive game and Patrick’s in no mood to rest on his laurels just yet.

“I’m still looking for the right project. I’ve got one in mind in Port Hedland: a commercial block that would be fantastic for development if the banks will let me have the money. I’m also involved in a company that’s doing a high-end resort development in South East Asia,” he says.

“So that’s where I see myself going forward: getting involved in projects that I have a passion for. To be part of a team that creates something from scratch that will hopefully go on to be an iconic development would be something special.”



Runner up

Up and down... and up again

Ben and Stacey Rundell's property investment journey began when they were returning home from the movies. Nine years later, they've amassed a portfolio worth nearly \$5m despite a number of ups and downs. Kevin Eddy reports

When Mandurah residents Ben and Stacey Rundell went to the movies to see *Final Destination* in 2001, they didn't know where that night out would eventually lead. However, as it turned out that particular trip to the movies set them on the path to a \$4.9m property portfolio and \$1.8m in profits and capital growth so far – including one deal which netted them a cool \$250,000.

The reason for this wasn't actually anything to do with the movie itself: on the way home, they saw a piece of

land that would begin their property investment career. Stacey explains:

"On the way home from the movies, we came across some land being developed in Port Mandurah. They were canal blocks within walking distance of the foreshore and town, and we decided it would be a nice place to build our dream home later on, while benefitting from capital growth in the meantime," she says. "Even though they were quite pricey at \$190,000 – the average residential block was around \$50,000 in that area at the time – the developer was open to offers as he was already developing the next stage. We put in an offer for \$175,000 and it was accepted."

It was a sharp move. It took until 2006 to complete their 'dream home' – which is now worth \$1.8m – but in the meantime they weren't about to sit around and wait for something to happen. The couple, who worked in the mining industry, had recently moved in together and they had a problem on their first joint tax return – a large disposable income.

"Our tax agent at the time said that investing in property was a good idea; however, he suggested buying a rental property as well as the canalside block we were buying, as it would be more effective in reducing our tax bill," Stacey says. "We aren't people who tend to dwell on things, so we bought a property the very next week, right behind the

one we were living in. It was an older beach shack with magic ocean views on a duplex block. We rented it out for a year and sold it for \$70,000 more than we purchased it for – although I wish we had kept it, as it would be worth well over a million now."

Two weeks later, Ben and Stacey settled on the canalside block, and when their settlement agent – a personal friend – called to congratulate them, they realised just how profitable property investing could be.

"She mentioned that she had clients who had recently bought a similar block for \$20,000 more than we had paid," continues Stacey. "We couldn't believe that we had made \$20,000 in six weeks – and that was the moment we realised there was money in property."

Getting organised

Ben and Stacey's next move was a calculated one intended to net them a lump-sum profit.

"Our next purchase was a planned move to buy, build and sell," says Stacey. "The Mandurah market was really hot, and we saw there was a big difference between the price of established homes in the area and the price of building a house on a block. We calculated that we could easily make \$200,000 just by building a house on a vacant block. We put both of our Falcon properties on the market, found a suitable block of land – again on the canal – bought it for \$243,000 and built a 4x2 package home."

As the builder Ben and Stacey used had built on the canal before and had a style of property that fit the block size perfectly, they didn't have to make too many costly alterations. However, they did spend extra money on high-quality finishes – probably between \$10,000 and \$20,000 – which Stacey reckons was a good move as it boosted the property's end selling price.

"If we'd done standard finishes, we might have got a little bit less for it. As it was, we ended up getting slightly less than we wanted for it, the market was cooling – even so, we still made a quarter of a million dollars in a year for an outlay of \$500,000.

During the build process, the couple also got married, had their first child – a boy – and decided it was at last time to build their dream home.



Ben and Stacey win a \$29,308 prize pack, consisting of:

- \$15,000 in Capital 360 service vouchers
- An RP Data 'I'm Investing' bundle
- An RP Data National Suburb Scorecard Report
- Registration on a C Corp Property Investment course
- \$1,000 cash
- A 12-month YIP subscription
- A Michael Yardney 15-month Mentorship Program
- A Platinum 12-month membership to NMD Data
- Two Depreciation Reports from Washington Brown
- 'Mentored by the Property Masters' CD set from Metropole

JUDGES' COMMENTS

Pino Tedesco, Capital 360

"Ben and Stacey are passionate investors who have built a significant and diversified portfolio. Willing to learn from their early mistakes, their investment strategy has a laser focus on capital growth and strong risk management at every step. Keep it up!"

Jason Isherwood, Ironstone

"Ben & Stacey's focus on 'near CBDs' provides lower volatility and steady growth, with systems that include annual portfolio reviews and a specialist team to assist them at every step. A winning combination"

“We spared no expense: it’s a magnificent 4x2, with an undercroft at the water’s edge, polished wooden floors and granite throughout,” says Stacey. “While we built, we bought a nice beachside 4x2 to live in, and sold that on completion for a \$60,000 profit.”

Wrong turns

So far, so good. However, this is where the couple, by their own admission, got a bit stuck.

“It was 2007, we’d just had another baby boy, and the market was quite flat,” Stacey continues. “We had a lot of equity in our house, and no other properties.

We were still keen to invest but didn’t really have much of an idea when it wasn’t a boom market.

First off, the couple thought investing in two serviced apartments in Broome might be the answer. However, this wasn’t the case.

“We bought into serviced apartments in Broome, which is a very busy holiday destination. The apartments were quite a neutral investment. They haven’t cost us a lot to hold, but we saw the whole residential property market in Broome take off whereas our serviced apartment only rose slightly in comparison. We missed out on huge capital growth for

that region. Had we bought just one residential property, we would have made significantly more profit – we could have easily doubled our money. I do regret buying them, we should have gone residential and just rented it out,” Stacey says.

Burned by the Broome experience, the couple went back to residential property. Like many other investors, they went along to a property seminar, where they discovered developers selling house and land packages in Queensland.

“We heard that the Queensland government was spending money on infrastructure and rail down that way,

so we signed up,” explains Stacey. “Unfortunately, that was just before the Queensland market entered its downturn phase, and while we’re still holding the property, it’s currently worth \$15,000 less than we paid for it.”

Back to square one

The couple decided to go back to basics and put together a long-term strategy. After extensive book research and attending a number of seminars, Ben and Stacey decided that following a buy and hold strategy for long-term capital growth was right for them. As a result, they put their Broome apartments on the market, and were able to sell one.

“In 2009 we set a goal of acquiring 10 properties in 10 years,” Stacey says. “We also decided to buy in Sydney through a trust, as it was the next off the ranks for an upturn and the trust structure offered protection in terms of liability. We quickly bought two more properties in Sydney through a buyer’s agent under strict criteria – units in small, boutique developments, close to infrastructure and the CBD, with a lovely street presence, strata in good order, ideally with a car space and generally good for tenants.”

Both properties have proven to be excellent performers, having grown by \$170,000 in total since purchase. Indeed, having a car space has proven to be an added bonus in one property’s case, as it’s rented separately from the unit – bringing in an extra \$80 per month. Stacey acknowledges that it’s not a huge source of income, but maintains that it’s useful to have the flexibility to be able to use the property in different

ways. A third CBD property followed in Melbourne in mid-2010, this time bought via their newly-created self-managed super fund. Using this strategy was a ‘no-brainer’, according to Stacey.

“We thought it was a fantastic move. It lets us make use of the money we’ve paid into super over the years, it overcomes problems we were starting to have because we were getting to the limit of our equity, and most of all it gives us control of our finances – which is a big plus.

Meanwhile, things were happening back in Mandurah. The couple were expecting their third child – another boy, born in May 2010 – and realised that they needed more space as their other boys were growing up. Reluctantly, they rented out their canalside home – with the intention of returning once their boys are older – and moved into a three-bedroom property in a nearby suburb. However, this was done with an eye to the future as well.

“Our current home is on a duplex block with development approval, and we bought it with the express purpose of developing at a later date – it’s got a huge back yard which we’re eventually looking at building a unit on.”

The couple are certainly going full steam ahead in achieving their 10-property goal.

“We will always stay in the CBD now, try to get into quality suburbs, and always use a buyer’s agent. However, we’ve hit a bit of a brick wall with equity, so we might look at positively geared or neutrally geared properties in the short term, to help in terms of bank



financing,” Stacey says.

The couple won’t necessarily be satisfied with just 10 properties, either. “As far as I’m concerned, we’ll keep accumulating properties – we don’t have to stop!” laughs Stacey. “Thirty, forty, maybe fifty, bring it on! Longer-term, we may look at development too – Ben would love to get into developing, so the C Corp course we’ve won as part of our prize will come in really useful! We’d love to build a little property empire which we can give to our kids for when they grow up.”

Ben and Stacey’s portfolio

Location	Type	Purchase date	Purchase price	Reno/build costs	Current value	Sale price	Sale date	Profit (so far)	Rent per week	Yield
Bridgewater, WA	3 bedroom, 1 bathroom house	June 1993	\$80,500			\$110,000	Mar 2001	\$30,000		
Barragup, WA	Block	Jan 1999	\$89,000			\$94,000	Feb 2002	\$5,000		
Falcon, WA	3 bedroom, 1 bathroom house	Sep 2000	\$150,000			\$225,000	June 2002	\$75,000		
Falcon, WA	3 bedroom, 1 bathroom house	Nov 2001	\$220,000			\$295,000	Nov 2002	\$75,000		
Port Mandurah, WA	4 bedroom, 2 bathroom house	May 2001	\$180,000	\$640,000	\$1,800,000			\$1,000,000	\$580	1.68%
Port Mandurah, WA	4 bedroom, 2 bathroom house	Mar 2002	\$243,000	\$250,000		\$742,000	Feb 2005	\$249,000		
Seascapes, WA	4 bedroom, 2 bathroom house	July 2006	\$355,000			\$415,000	Feb 2006	\$60,000		
Cable Beach Broome, WA	1 bedroom, 1 bathroom serviced apartment	July 2007	\$283,500		\$370,000			\$87,000	\$480	6.75%
Lullfitz Drv, Cable Beach Broome, WA	1 bedroom, 1 bathroom serviced studio apartment	July 2007	\$223,000			\$261,000	May 2009	\$38,000		
Somerwil Cres, Bellbird Pk, QLD	4 bedroom, 2 bathroom house	April 2008	\$178,000	\$217,745	\$380,000			-\$15,745	\$330	4.52%
Newcastle St, Rose Bay, NSW	2 bedroom, 1 bathroom unit with garage	March 2009	\$495,000		\$620,000			\$125,000	\$530	4.45%
Louisa Rd, Birchgrove, NSW	2 bedroom, 1 bathroom unit with garage	Aug 2009	\$585,000		\$630,000			\$45,000	\$500	4.13%
Scrivener Pl, Halls Head, WA	3 bedroom, 1 bathroom house with a duplex block	Sep 2009	\$420,000	\$10,000	\$470,000			\$50,000		
Carlisle Ave, Balaclava, VIC	3 bedroom, 1 bathroom unit with garage and courtyard	May 2010	\$610,000		\$650,000			\$40,000	\$550	4.40%
Totals			\$4,112,000		\$4,920,000	\$2,142,000		\$1,863,255	\$2,970	



Runner up

An eye for a good deal

Jill Talbot knows a good deal when she sees one. A young starter who bought her first investment at just 19, Jill now holds a solid \$2.4m portfolio. Robin Christie reports

Even after playing the property investment game over the last 30 years, 51-year-old Jill Talbot is as enthusiastic as ever about investing in property. And she has a clear message to any potential first timers out there: anyone can do it.

“A lot of people feel that investing in property is only for wealthy people,” Jill says. “But anyone can do it. Start with a mortgage broker who can get you the best deal. And just because you earn \$500 a week, don’t think that you can’t afford it. You’d be surprised.”

Starting young

Jill’s property investment journey started at the tender age of 19, when her father advised her to invest in bricks and mortar. Having seen the results of her father’s own prudent investments, Jill wasn’t going to put up a fight.

Jill wins a \$16,258 prize pack consisting of:

- \$10,000 in Capital 360 service vouchers
- RP Data ‘I’m Investing’ bundle
- RP Data National Suburb Scorecard Report
- \$500 cash!
- 12-month *Your Investment Property* magazine subscription
- A Michael Yardney 15-month Mentorship Program
- A Platinum 12-month membership to NMD Data
- 2 x Depreciation reports from Washington Brown
- ‘Real World’ Real Estate Workshops CD and notes set from Metropole

“I remember coming home from work when I was 19, and he said: ‘Jill, now you’re working you’re going to buy yourself an investment property’. So I did,” she says.

Living at home, working two jobs and being a self-confessed ‘natural born saver’, Jill already had the funds for a deposit and quickly secured the finance for her first property deal.

“I went to the credit union at the airline that I worked for and asked if I could get a loan. They said yes, and I bought a house in Werrington for \$50,000 and it returned \$100 a week. I was always a good saver and put down a 10% deposit of \$5,000.

“If I had a crystal ball I would have bought the whole street. From that first purchase, the only money I have put down in my investments is from the money I have made out of that first purchase. I call it magic money!” she says.

From little things...

Fast forward three decades, and the seeds that were sown during that first investment property purchase have grown into a multi-million dollar portfolio for Jill and her husband Howard. Now based at Robina on the Gold Coast, Jill estimates that – pending the completion of renovations on their own home – their portfolio will be worth \$2.4m.

Several properties have been bought and sold over the years, and the couple’s current property portfolio consists of four flats located in Toowoomba, two townhouses in Varsity Lakes as well as their own home in Robina.

That’s not bad for an investor who confesses that property investment is

currently on the backburner while a large chunk of their wealth is tied up in the share market at the moment.

But that hasn’t stopped Jill eyeing up the couple’s next deal. Once they cash in some of their shares, Jill and Howard plan to complete their home renovations and then release the equity to fund their next investment.

“We’ve been advised by an agent that, when it’s fully renovated, the property we live in will be worth around \$1.1m. It cost us \$252,000 in 1994, so that’ll give us more equity to continue our purchasing journey,” Jill says.

And she already knows what the next stop on that journey will be: a large scale redevelopment of their block of flats in Toowoomba. “We had a friend that knew a lady there, and she’d told our friend that her next-door neighbour was selling these old flats. We ended up getting four flats for \$205,000, and they now return \$640 a week,” Jill says.

“We’ve just found out that the local council is redefining the development master plan. So it looks like we’ll be able to demolish our four flats and build a three storey walk-up with anything from 12 to 16 flats.”

Talking strategy

Toowoomba is one of a host of regional towns that Jill has invested in as part of a deliberate strategy to focus on low-cost, high-yield rural areas.

“I target rural towns because you get a better rent and a cheaper property. A lot of people who retire from the land go into Toowoomba, for instance. So there’s a lot of money there, and they want to live in units,” Jill says.

Targeting low-cost, high-yield suburbs also makes it easier to find positively geared properties, which for Jill is a must. She wasn’t always so focused on positive cash flow, but a few words of wisdom from investment guru and *Rich Dad, Poor Dad* author, Robert Kiyosaki, changed her outlook.

“I read one of Robert Kiyosaki’s books where he asks how many properties you can afford to buy if they cost you money, and the answer is limited.

“Then in the next sentence he asks how many properties you can afford to buy if they make you money, and the answer is unlimited.”

JUDGES’ COMMENTS

John Kovacs

“Jill has an open-minded approach to her property investments. She thinks outside the square. Thirty years of knowledge, experience and success has undoubtedly kept her focused and motivated. You can’t beat looking for the best return at the lowest price”

Tyron Hyde

“Jill Talbot as an investor appears to be doing all the right things. She is educating herself by reading lots of magazines and more importantly she is asking the right questions when it comes to buying property. I think we could all learn a lot of from Jill. I particularly like Jill’s pearler of a question to real estate agents: ‘Who is your most motivated agent?’”



Jill's portfolio										
	Location	Type	Purchase date	Purchase price	Reno costs	Current value/sale price	Profit (so far)	Sale date	Rent per week	Rental yield
CURRENT PORTFOLIO	Block of 4 flats, Toowoomba, Qld	1 bedroom	2003	\$205,000	\$5,000	\$468,000	\$258,000	n/a	\$640	16.23%
	Town house pair, No 1 Varsity Lakes, Qld	4 bedroom	2002	\$252,000	n/a	\$500,000	\$248,000	n/a	\$450	9.29%
	Town house pair, No 2 Varsity Lakes, Qld	4 bedroom	2002	\$252,000	n/a	\$500,000	\$248,000	n/a	\$450	9.29%
	Waterfront house, Robina, Qld	3 bedroom/study	1994	\$256,000	\$150,000	\$950,000	\$544,000	n/a	PPOR	PPOR
	Totals			\$965,000	\$155,000	\$2,418,000	\$1,298,000		\$1,540	Av yield 11.6%
SOLD PROPERTIES	House, Werrington NSW	3 bedroom	1978	\$50,000	n/a	\$100,000	\$50,000	1987	SOLD	SOLD
	House, Florida Gardens, Riverfront	3 bedroom	1987	\$99,000	n/a	\$195,000	\$96,000	1994	SOLD	SOLD
	House, Robina (25% owner)	4 bedroom	1996	\$260,000	n/a	\$396,000	\$136,000	1998	SOLD	SOLD
	Waterfront flat, New Farm	3 bedroom	2000	\$268,000	n/a	\$460,000	\$192,000	2002	SOLD	SOLD
	Pub and accom, Maryborough (50% ownership)	11 rooms	2005	\$1,150,000	\$50,000	\$1,250,000	\$50,000	2008	SOLD	SOLD
	Second pub and Accom, Maryborough (50% ownership)	24 rooms	2006	\$1,500,000	n/a	\$1,550,000	\$50,000	2008	SOLD	SOLD
	Totals			\$3,327,000	\$50,000	\$3,951,000	\$574,000			
GRAND TOTALS				\$4,292,000	\$205,000	\$6,369,000	\$1,872,000			

People person

There's no doubting that Jill's a real people person. Judging by her friendly, yet confident manner, it's easy to imagine her strolling into an estate agency and casually asking for their best agent. And this is exactly what she does.

"You can't rely on the internet. You've got to get off your backside, go out to these towns, spend a week there and talk to all the agents," she says.

"You go to the best agent in town for selling, but sometimes the worst agents in town are the best for buying, because they're not working their properties and that's to your advantage," she adds.

Jill's strategy for sounding out the best agents in town came out of necessity, when Howard decided to celebrate his 50th birthday by making the snap decision to retire early. At the time they were lumbered with a tenant-less property that their agent had failed to shift for three months. "The loan repayments were \$711 a week and the

tenants had just moved out. Howard came home from work and said: 'I've just turned 50, and I've had enough. I've resigned from my job and we're going away for the weekend to celebrate my birthday,'" says Jill.

The property was a riverside ground floor unit that Jill and Howard had bought off the plan in New Farm, a few kilometres from the Brisbane CBD. It was the only unit in the block with an outside area which, as Jill puts it, "made it like a Brisbane riverfront house for a tenth of the price".

Jill realised that her agent hadn't been pulling his weight. So she headed to New Farm, cut some keys and took one to every agency in town – making sure to ask each receptionist for their most motivated agent.

"I said: 'Don't ask me to sign anything, the property is now empty. I'm not going to re-lease, we want to sell it and we've given a key to other agents,'" says Jill. "I gave the agents the keys on the Friday

and we went away for the weekend and there was little or no phone access. The agents were in a frenzy all weekend trying to speak to us only for the phone to cut out and leave the prospective purchaser in suspense. When we got home they were all upping their offers! And within three days we had two people fighting over it, gazumping each other on price. They fought over that deal, and we got about \$150,000 more than we had it advertised for with that one agent who never worked it at all."

Fair go

Jill's networking skills have seen her profit from a number of schemes over the years, but she always aims to be fair to all parties involved.

There's the time, for example, when Jill's neighbour asked her for advice on which agent to sell her house with. So Jill, with her neighbour's blessing, took the property to the best agent in town and asked for a spotter's fee.



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Jill was offered \$1,000, which she split with her neighbour. So the neighbour ended up with \$500 and a good agent, the agent was handed a good property on a platter, and Jill earned herself \$500 'just for opening and shutting my mouth'.

While earning \$500 for doing a friend a favour isn't a bad return in anyone's book, Jill's next story is truly astounding.

"We found a block of 29 flats in Toowoomba that we couldn't afford, so I mentioned it to a friend of mine who often buys large blocks of flats. He contacted the owner direct, so there was no agency fee. He was so grateful that he said 'go and check your bank account', and there was \$20,000 in there!" Jill says.

"He would have paid about \$1.1m three or four years ago, they're earning over \$250,000 pa now and he's made about \$2m on them. He did well, we did well, and he still rings up today and says

if I've got any more properties like that he'd happily pay me another \$20,000."

Princess of Bankstown

For Jill, each investment should have a win-win story behind it, underlining the ethos that once had her crowned 'The Princess of Bankstown' for her efforts in a local charity drive.

Naturally, Jill wouldn't be where she is now if there wasn't something in each deal for her, but she believes in trying to work with the vendor in every way.

Her Toowoomba purchase, for example, was already the subject of a \$200,000 offer when she contacted the owner. But the potential buyers were making life difficult for the vendor, who was keen to sell up and enjoy his retirement. For Jill, the solution was simple. "Some people had put in a contract, but it was subject to all sorts

of really quirky demands, like copies of rental lease agreements and employment histories of all the tenants.

"We offered \$205,000 to just take it as is. So we were being generous and it worked to the betterment of us and the vendor. We saw the potential just from the location and now, seven or eight years later, it's all coming to fruition.

"I believe you get more bees with honey, not by screwing an already good deal even tighter. Leave a bit of meat on the bone for the next person. If you are able to comply with the vendor in every way, it takes the stress off everyone. The agent will want you on speed dial because you're easy to deal with. It's a win-win for all just by being generous of spirit," she says.

Not all roses

Like many a successful investor, Jill's journey hasn't been without its hiccups. She admits to one venture where getting a bit nonchalant caused a major setback.

"We got cocky and bought two commercial hotels as silent partners. We weren't involved with the day-to-day operation, and the partnership very quickly soured," says Jill.

"Even though we sold them for a profit, there was a lot of litigation involved and it cost us a lot of money. We took a big step backwards from that.

"In my younger days, I felt invincible and borrowed to the maximum. Then we suffered interest rate hikes. The only way we could get through it was by moving into one of our smaller investments and renting out the big one we lived in. We thought outside the square and it saved us.

"As time has passed all our properties are now low-doc which is 60% or less LVR. Interest rates are so unpredictable we now have that buffer to cover ourselves. Our purchases are in a trust to protect our assets and all of our loans are stand-alone," she says.

But, despite the odd setback, Jill's still a huge property investment fan. Her philosophy? "Always have your money working for you. Don't have lazy money in the bank. Even if it's in a one-bedroom unit in some rural area, at least you're in the river of real estate. If you're not in that river, it's just going to leave you behind," she says. ■