THE INSIDER'S GUIDE TO REAL ESTATE INVESTING

by Michael Yardney

AND 4 OTHER LEADING AUSTRALIAN PROPERTY EXPERTS.

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Michael Yardney's propertyupdate.com.au

THIS SPECIAL REPORT IS BROUGHT TO YOU BY METROPOLE PROPERTY STRATEGISTS AND MICHAEL YARDNEY'S PROPERTY UPDATE BLOG

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This eBook is a collection of some of the most popular articles published at www.propertyUpdate.com.au over the last few years, from the following experts:

Michael Yardney

Michael has once again been voted Australia's leading property investment adviser – this is the fifth time he's won a similar award in the last seven years . He is Australia's most trusted property commentator, but he is not a theorist. Michael is a successful property investor and property developer and, as a director of Metropole Property Investment Strategists, leads a team of property professionals who help their clients create wealth through strategic property investment. He is an Amazon #1 best selling author and a successful property investor and developer. His opinions as a property commentator are highly sought after and frequently quoted in the press.

Kate Forbes

has 20 years of investment experience in financial markets in two continents. She is qualified in multiple disciplines and is also a Chartered Financial Analyst (CFA).

Brett Warren

who was arguably one of Brisbane's best Buyers Agents, now using his 12 plus years property investment experience as a property strategist to advise clients how to grow, protect and pass on their wealth by building their property portfolios.

Ahmad Imam

is a highly skilled wealth strategist. He is a passionate property investor, has a degree in Commerce, is a licensed estate agent and qualified property investment advisor and has personally coached and educated hundreds of clients to create wealth through property.

Bryce Yardney

is a property development specialist, having successfully sourced, project managed and completed hundreds of development projects for Metropole's clients, helping them create substantial wealth.

HOW TO INVEST LIKE THE PROS! – BY MICHAEL YARDNEY

I was having my hair cut the other day when Harry my barber said "Michael - I'm going to get into property investing and I'm going to make a fortune because I've learned to invest like the pros!"

Each time I visit Harry the conversation always seems to revolve around property, but when I heard Harry say he learned how the pros do it I was concerned.

I know Harry has been reading every property book he could get his hands on, attending lots of seminars and watching all the free DVD's the property marketers are sending out.

I also know that while Harry enjoys his job, he's sick of the rat race and trading his time for dollars. And he feels he missed out on the last property boom and wants to make up for lost time.

He wants to get rich quick.

In the past when we've discussed property, Harry was scared to take on more debt and get into the market.

Instead he paid down the mortgage on his home. Now while he has the "security" of minimal debt on his home, he feels he has to catch up with many of his friends who took the plunge into property a few years ago and now own one or two investment properties.

Of course a few years ago as our property markets turned I recommended Harry use the equity in his home to get into property investment, but at the time all the mixed messages in the media held him back. But now armed with all his new found knowledge, Harry was feeling confident enough to finally take the plunge into property.

So when Harry told me he knows how to invest like the pros, I had to ask - "OK Harry - how are you going to do it?"

"Easy" he said. "I've been to a seminar and signed up for a course."

Then he pulled out the advertisement in the magazine that attracted his attention. It promised the ability to control millions of dollars worth of property with none of your own money and bypassing the banks. It also explained how the course presenter had made millions of dollars in seven days.

At that point I felt sorry for Harry and for the thousands of novice (and some experienced) property investors who will be taken by the new breed of property spruikers who are once again out in force.

Sure the promises sound enticing… the opportunity of getting a life altering fortune overnight by barely tapping the easy button as you breeze by en-route to your lounge chair on the beach.

But why seven days? Why not seven hours? Or seven minutes?

Of course I am being sarcastic! You can't become wealthy in seven days.

You probably couldn't even read the course material in seven days. Nor can you earn or sustain wealth with a four hour work week as others promise from their courses.

Just look at the ads: we'll teach you how to buy a property to renovate and sell for a profit – a great replacement for your job. Yet they don't explain how after tax and GST and stamp duty on your next property you are likely to be left with very little, if any profit.

Then there's a course that teaches you how to develop 4 properties, sell three and keep one debt free - sounds great.

But they forget to mention that the banks aren't lending to property developers at present – especially ones who have learned their craft from a DVD course. What about the seminars recommending buying American properties? Sure they are cheap, but they forget to mention the 30 million vacant properties in America or how 20% of homeowners in the USA have negative equity.

The problem is; this nonsense that you should expect childishly simple, microwave instant solutions to complex opportunities and when you don't find it in one place, you rush off after the next pretender peddling it, is what stops the average Australian ever becoming wealthy through property investment.

The idea of instant, simple and easy has risen from being laughed at and ridiculed, to being the expectation and entitlement of a new generation of investors.

Here is what the real pros know...

You can't create wealth though property overnight, but you can certainly become very rich in the medium to long term by knuckling down and seriously applying yourself in a dedicated, disciplined, persistent way.

You get there by following a proven system and by having a safe property and finance strategy. You then implement this by buying the right property, in the right location, at the right price and holding it for the long term.

Not by adding hot water to a packet of magic beans and counting to seven. Yes you can and should accelerate the process by learning the strategies of value adding through renovations and development, but you can't skip the fundamental process.

While property spruikers went quiet during the real estate downturn, unfortunately the new property cycle is bringing out a fresh group of "property pretenders". There are now property "experts" out there selling advice and courses despite never having built their own property portfolios. This makes it timely to remind readers that seminars promising easy wealth through property have all too often led to financial ruin.

It wasn' t that many years ago that Henry Kaye caused 13,000 consumers to lose around $60 million after attending his seminars.

And again more recently a land banking scheme in which he was implicated also collapsed ruining many investors who trusted the promoters.

To be clear and reconcile my position, I have been conducting educational seminars for years, but I don't have any properties for sale at the back of the room and I'm not paid to make a particular property developer's project look favourable.

And I don't, and never have, promised instant riches.

Be even more cautious if people are willing to offer advice for free and if it sounds to good to be true it most likely is.

Making things worse today is the Internet and the mindset it has produced, which puts born-yesterday pretenders and academic theorists on even footing with long established experts who have painstakingly amassed their knowledge and have proven it over time in the real world.

What has happened is that in their haste to hitch on to this new property boom, many beginning investors have chosen to devalue "credibility" in favour of "believability".

Let me explain the difference.

Credibility requires education, experience, track record and proof of value – all things produced by an investment in time. On the other hand, believability requires only the ability to create belief – and that's so much easier to do today with a fancy website and a glossy brochure.

THE 4 MOST DANGEROUS WORDS IN PROPERTY INVESTMENT – BY MICHAEL YARDNEY

Today I would like to share a memory from when I was still a novice investor and one of my early mentors taught me that the four most dangerous words a property investor could say was "this time it' s different".

Unfortunately, in my early days of investing I ignored his advice, to my detriment, as I found that history does repeat itself.

The best way to explain what I'm on about is to look back to earlier this year as many of our property markets boomed and two extreme opinions came out. One group was suggesting we are in for a long boom and another was suggesting the property markets would implode.

At the time I made it clear that my view was that the extremists, in both directions will be wrong.

Why? Because history does repeat itself and having invested (some would say reasonably successfully) for over 40 years, I' ve learned some lessons.

Probably the most important lesson I have learned is to never get too carried away when the market is booming or too disenchanted during property slumps. Letting your emotions drive your investments is a sure-fire way to disaster.

To ensure you don't get caught by the changes currently happening to our property markets, let's look at 5 big lessons I've learned over the years:

Lesson 1. Booms don' t last forever

During a boom everyone is optimistic and expect the good times to last forever, just as we lose our confidence during a downturn. Our property market behaves cyclically and each boom sets us up for the next downturn, just as each downturn paves the way for the next boom.

Let's face it...while the general economic news is still generally positive today, we know that over the next few years the buoyant market conditions will be followed by a property bust and then another boom.

Just look at how our markets have performed over the last 18 months – some areas have boomed and are now slowing down and other property markets have languished.

Going forward over the next decade we'll have another recession – I'm not sure when but we have one every seven to 10 years and we'll most likely have another depression one day – because history repeats itself.

The lesson from all this is that even as you take advantage of our booming markets, get prepared for the next phase of the property cycle. During the last cycle, most investors didn't really have their downside covered or their upsides maximized.

Lesson 2. Beware of Doomsayers

As long as I have been investing, I remember hearing people with excuses why property values will plummet. However in that time, well located properties have doubled in value every 7 to 10 years.

Fear is a very powerful emotion, and one that the media used to grab our attention. Sadly some people miss out on the opportunity to develop their own financial independence because they listen to the messages of those who want to deflate the financial dreams of their fellow Australians.

Lesson 3. Follow a System

Smart investors follow a system to take the emotion out of their decisions and ensure they don't speculate.

This may be boring, but it's profitable. Let's be honest, almost anyone can make money during a property boom because the market covers up most mistakes. But many investors without a system found themselves in financial trouble when the market turned.

Warren Buffet said it succinctly: *«You only find out who is swimming naked when the tide goes out.»*

In other words, if you aren't following a system that works in all market conditions you will be caught with your pants down when the market changes.

If you prefer to have consistent profits and reduced risk, follow a proven system. Make your investing boring, so the rest of your life can be exciting.

Lesson 4. Get Rich Quick = Get Poor Quick

Real estate is a long term investment yet some investors chase the "fast money."

You've probably met people like that - they look for that deal that will make them fabulously rich. When you see them a year later, they're usually no better off financially and still talking about the next deal that will make them rich.

They are often influenced by the latest get-rich-quick artist with a great story about how you can join them and become stupendously wealthy.

Their stories can be very compelling, even hard to resist. They often pander to the wishes of people who would like to give up their day job to get involved in property full time, but in reality it takes most people many years to accumulate sufficient assets to do this.

Patience is an investment virtue. Warren Buffet said it right when he explained that: "Wealth is the transfer of money from the impatient to the patient."

Lesson 5. It's about the property

You're in the business of property investment, yet during the last boom many investors forgot the age-old property fundamentals of buying the best property they could afford in proven locations.

Instead they got sidetracked by glamorous finance or tax strategies and some lost out.

Smart investors do it differently.

They make educated investment decisions based on research and buy a property below it's intrinsic value, in an area that has above average long term capital growth and then add value creating some extra capital growth.

These are just 5 of the many lessons that I have learned over the years.

HOW MANY PROPERTIES DO YOU NEED TO RETIRE? MICHAEL YARDNEY

Have you wondered how many properties you would need for financial freedom?

I've found that while most property investors hope to one day replace their personal exertion income with cash from their investment properties, most don't have a strategy to achieve their goal.

So just how many properties does it take to enable you to quit your day job and live comfortably? The answer is simple … **It depends**.

O.K. that not what you wanted to hear, but in fact it's the wrong question to ask.

It doesn't really matter how many properties you own. What is more important is the value of your asset base and how hard your money works for you.

Why do I say this?

Because I'd rather own one Westfield Shopping Centre than 50 secondary properties in regional Australia.

How will you live off your property portfolio?

While many property investors know they want their properties to replace their income, I've found most don't actually think about how they'll actually achieve financial freedom.

They don't have a strategy. They don't have a plan. They just hope it will happen.

Other investors think that they'll live off their rental income, yet I rarely see this happen. It's just too hard to grow a portfolio of cash flow positive properties of a sufficient size to replace your income.

On the other hand, the wealthy investors I deal with have built a cash machine by growing a substantial asset base of high growth properties, and then lowering their loan to value ratios (LVR) so they can transition into the next phase, the cash flow phase of their investment life.

They lower their LVR in a variety of ways. They could:

- stop (or slow down) buying properties, so that while the value of their portfolio keeps rising, their loans remain much the same.
- add value to their properties by manufacturing capital growth through renovations or development;
- pay off some debt using their superannuation;
- reduce their debt by pay off principal and interest
- sell a property or two.

But the first stage of their wealth creation strategy always involves building a substantial asset base.

Can't I just live off the rent?

Let's say you want an annual after tax income of $100,000. How are you going to achieve that? How many properties do you need?

If you plan is to eventually pay down your debt and live off the rent, you'll probably need at least $4million worth of properties with no mortgage to get that $100,000 after tax income.

Don't believe me?

The average gross yield for well located properties in Australia is around 4%, but let's be generous and say you earn a 4.5% yield across your property portfolio.

This means if you eventually own $1million worth of properties with no debt, you'll get $45,000 rent. But you'll still have to pay rates and taxes and agents commissions and repairs; leaving you with something like $35,000 a year. And then you'll have to pay tax on this income.

When you do the sums you'll see that you need an unencumbered portfolio worth at least $4million to earn that $100,000 a year after tax.

Remember that's $4 million worth of property and no mortgage debt, otherwise you cash flow will be lower.

And of course you'll also need to own your own home with no debt against it.

Let me ask you a question..

Will you ever be able to save $4million?

Will you ever build a portfolio that size on a few dollars a week positive cash flow from your rents ?

By now it should be clear that the only way to build a substantial asset base is to take advantage, leverage and compounding growth of well located properties.

In my mind the only way to become financially independent through property is to first grow a substantial asset base (by buying high growth properties) and then transitioning to the next stage – the cash flow stage – by lowering your debt, but not paying it off completely.

Here's how it works:

Fast forward 10 or 15 years and imagine you own your own home plus $5million of well located investment properties.

If you had a typical 80% Loan to Value Ratio, you would be negatively geared.

On the other hand, if you had no debt against your property portfolio you would have positive cash flow, but would forgo the benefits of leverage.

Somewhere in the middle, maybe with a 50% LVR, your property portfolio would be self funding. You may even have a little cash flow left over, but not enough to live on.

If you think about it, it will be much easier to amass a $5million property portfolio with $2.5 million of debt than the same size portfolio with no debt.

You could then go to the bank and explain you've got a self-funding portfolio that isn't reliant on your income and in fact, there's a little cash left over for serviceability. You would then ask for an extra $100,000 loan, so you're increasing your LVR slightly.

The good news is that you don't have to pay tax on this money because it's not income. But you would have to pay interest, which won't be tax deductible if you use the money for your living expenses.

This means after the interest payments you're left with around $93,000 to live off.

Crunch the numbers...

At the end of the year, you've "eaten up" your $100,000; but in a good year, your $5 million property portfolio would increase in value by say $500,000.

In an average year it will have increased in value by $400,000 and in a bad year it may have only gone up by $150,000 or $200,000.

Of course your rents will also have increased because your properties have increased in value.

Sure you've used up the $100,000 you borrowed, but because your portfolio has risen in value, along with rents, your LVR is less at the end of the year than the beginning, so you finish off the year richer than you began it. You truly have a cash machine, and then you can do this over and over again.

Does this really work?

In the old days living off equity was easy.

You just had to go to the bank and get a low doc loan and as long as your properties increased in value it was smooth sailing.

Sure it's harder today, but it's definitely doable. You just have to lower your LVR to show serviceability to the banks.

Needless to say, you can't achieve this overnight. It takes time to build a substantial asset base and a comfortable loan-to-value ratio. But if you take advantage of the magic of leverage compounding and time, it happens.

Do you have an asset protection plan?

Of course this strategy depends on the growth in your property portfolio and your ability ride the property cycle.

This means that as you build your asset base, buying high-growth properties and adding value, you will need an asset protection plan to see you through the ups and down that you'll experience.

After all, over the next 10 we'll have good times and bad. There will be periods of high interest rates and times of lower interest rates. And we'll have periods of strong economic growth, but there will also be times of downturn.

Savvy investors count on the good times but plan for the downturns by having an asset protection plan, as will as a finance strategy and tax strategy to make sure they set up their structures in the most efficient way.

Don't get me wrong, while I've just made gaining financial freedom form property investing sound simple, it's not easy. And that's not a play on words.

Fact is, around 20% of those who get involved in property investment sell up in the first year and close to half sell their property in the first 5 years.

And of those investors who stay in property, about 90% never get past their second property.

So if you want financial freedom from property investment to fund your dreams, you're going to have to do something different to what most property investors are doing. You're going to have to listen to different people to who most Australian property investors listen.

You're going to need to set yourself some goals and follow a strategy that's known, proven and trusted.

Then you grow your property investment businesses one property at a time.

Of course…you need to buy the right type of properties.

One that has a level of scarcity, meaning they will be in continuous strong demand by owner occupiers (to keep pushing up the value) and tenants (to help subsidise your mortgage); in the right location (one that has outperformed the long term averages), at the right time in the property cycle (that would be now in many states) and for the right price.

10 IMPORTANT LIFE LESSONS OF A PROPERTY INVESTOR – MICHAEL YARDNEY

As I've been investing in property, and some would suggest rather successfully, since my early 20's, I'd like to share some of the most valuable investment lessons I've learnt over the last four decades.

1. Have a Plan.

Strategic investors have a plan, know where they are heading and follow a proven system to take the emotion out of their decisions and give them more consistent results.

They make educated investment decisions based on research and buy a property below it's intrinsic value, in an area that has above average long term capital growth and then add value to manufacture equity.

2. Take a long-term perspective.

The property market moves in cycles and in every decade there are a few years of flat or falling property prices, however well located real estate has increased in value by an average of over 8 per cent per annum over the long term.

Imagine if you could buy the house your parents bought at the price they paid thirty or forty years ago; how many properties would you have bought then knowing what those properties would be worth today?

3. Treat your property investment like a business.

The successful investors I know have grown a substantial asset base by treating their investments like a business.

They do this by surrounding themselves with a great team of advisors, getting the right type of finance, setting up the correct ownership and asset protection structures and knowing how to legally use the taxation system to their advantage.

4. There is not one property market.

While many people generalise about "the property market" there are many submarkets around Australia. Each state is at a different stage of its property cycle and within each state the markets are segmented by geography, price points and type of property.

For example the top end of the market will perform differently to the new homebuyers market or the investor segment or the median priced established property sector. And while at any time there are hundreds of thousands of properties for sale in Australia, most are not investment grade properties.

5. The crowd is usually wrong.

“Crowd psychology” influences people’s investment decisions, often to their detriment.

Investors tend to be most optimistic near the peak of the cycle, at a time when they should be the most cautious and they’re the most pessimistic when all the doom and gloom is in the media near the bottom of the cycle, when there is the least downside.

Market sentiment is a key driver of property cycles and one of the reasons why our markets overreact, overshooting the mark during booms and getting too depressed during slumps.

Remember that each property boom sets us up for the next downturn, just as each downturn sets the scene for the next upswing.

6. There will always be reasons not to invest.

Every year brings its own set of crises and lots of reasons not to invest. You can go back as far in history as you like and there won’t be a crisis free year. Sure some years are worse than others, but there is always bad news and much of it is unexpected.

Where investors get into trouble is that rather than focusing on their long term goals, they see these crises as once in a generation events that will alter the course of history, when in reality they are just the normal path of history.

7. The devil is in the detail.

With so much market analysis available to us today, it’s easy to get caught up in the detail and scared into inaction. It’s better to keep an eye on the big picture and look at the property markets through a telescope and not a microscope.

8. Remember it' s about property.

You’re in the business of property investment, yet at times investors forget the age-old rule of buying the best property they could afford in proven locations. Instead they get sidetracked by get rich quick schemes or glamorous finance or tax strategies and lose out.

Fact is…property is not a get rich quick scheme. Don’t get carried away by the next hot spot or latest fad – make your investing boring, so that the rest of your life can be exciting. Warren Buffet was right when he said; “Wealth is the transfer of money from the impatient to the patient.”

9. Use Debt as a tool.

While many people worry about debt, smart investors use "good debt" and leverage to build their asset base. They then protect their assets by buying time though having a "rainy day" cashflow buffer set aside in a line of credit or offset account.

10. The 2 big drivers of property values.

While in the short term our property markets will be driven by market sentiment, interest rates, supply and demand and microeconomic factors; in the long term the value of well located properties will rise propelled by the twin factors that have always driven long term property prices – population growth and the wealth of the nation. Both of which will increase substantially over the next few decades.

Learn from these lessons and the rollercoaster ride of your property investment career may not be as dramatic. Remember both fear and greed will send you down the wrong path, but sense and sensibility will keep you heading in the right direction; toward real estate riches.

FIFTEEN WEALTH MYTHS THAT HOLD PROPERTY INVESTORS BACK - BY MICHAEL YARDNEY

MONEY DOESN'T DISCRIMINATE; IT DOESN'T CARE WHO YOU ARE OR WHERE YOU COME FROM.

No matter what you did yesterday, today begins anew and you have the same rights and opportunities as everyone else to become wealthy. Yet the sad reality is that the majority of Australians will never achieve financial freedom.

On the other hand a small group of Australian property investors are becoming very wealthy.

This week, I begin exploring the common myths about money that hold many people back from achieving their financial goals.

Myth # 1: It takes money to make money.

Despite what some people believe, it doesn't really take a lot of money to make money.

Many Australians have untapped equity in their homes that they can use as seed capital for investments, while others will have to learn the discipline of saving to get some start up capital. Then all they need to do is invest in high growth investments such as residential real estate and use the magic of compounding, leverage and time to grow their asset base.

You don't need a fortune to begin making your first million; you just need to commit to making a start and stick with it.

Myth # 2: I don't make enough money.

Almost everyone makes enough money to become an investor. The truth is most people don't have an income problem, they have a spending problem.

Look at your current wage and ask yourself; how much am I likely to earn over my lifetime?

For most of us, the answer will probably be over a couple of million dollars. The problem is most of us spend as much as we earn. You've got to start living within your means, paying yourself first, saving a deposit for a property and investing in order to break your current pattern.

Myth # 3: My job and superannuation will take care of my financial future.

If you accept my definition of financial freedom as having enough passive income to finance the lifestyle you desire, without having to work; you will never achieve this through your job or superannuation. Instead you will need to take control of your financial future by investing.

Even if you try to save 5 or 10% of your income as many financial planners suggest, you'll find it won't give you a big enough nest egg to fund your retirement.

You just can't save your way to wealth.

Myth # 4: I' m not smart enough.

In our country everybody has the ability and opportunity to become rich. Successful people come from different backgrounds and while some have university degrees, others never finished high school.

To reassure you that an education doesn't equal a financial fortune, here are a few multi-millionaires who never graduated from college: Bill Gates (Microsoft), Michael Dell (Dell Computers) and Steve Jobs (Apple). The truth is you can do whatever you want; not being smart enough is just another excuse.

Myth # 5: Investing is complicated.

Developing your own financial freedom is only as complicated as you make it. Sure gaining the knowledge to become financially independent is challenging, but many new things seem more difficult than they are until you develop an understanding of them.

Investing is no different.

It's easier than ever before to learn the fundamentals of wealth creation, with limitless tools available in today's high tech, info-laden world.

The key is to learn from the right people – those who've already achieved what you want to achieve.

The process is also simplified when you select an investment niche such as residential property investment and develop specialist knowledge in that area.

Myth # 6: Investing is risky.

The dictionary definition of "invest" is: "To commit (money or capital) in order to gain a financial return." The word "risk" doesn't even get a look in.

However many people speculate when they think they are investing – they buy a property in a secondary location or off the plan "hoping" it will increase in value. Speculation is risky.

On the other hand, finding a property with an element of scarcity so it will always be in strong demand, in an area that has always outperformed the averages and buying it below its intrinsic value, is a proven investment strategy that minimises your risk.

Myth # 7: You have to know how to time the investment markets.

It's often said that timing is everything when investing, but that's not really the case.

Sure timing matters – you don't want to buy property at the peak of the boom, but successful investors find that timing isn't really that important. Have you noticed how some investors do well in good times and do just as well in bad times, while others do poorly in good times and even worse in bad times?

The truth is, successful investors know how to create wealth at any point in the property cycle while unsuccessful investors manage to lose money at the same stages of the cycle. This suggests to me that it's not our external world that determines whether we make money; it's something inside us – our mindset.

Myth # 8: The rich are lucky.

The truth is that success in wealth creation is no more about luck than is success in anything else in life. To become wealthy you have to be in control of your finances and not count on good fortune.

When you have a proven investment system or strategy, luck becomes unnecessary.

As a child I used to play Monopoly. Sometimes I won, sometimes I lost.

As an adult I've played Monopoly a couple of times with some financially intelligent people and I realise now that, contrary to what I thought when I was young, it's not a game of luck.

Good players know the right spots on the board to get the best return on their investments. They know how to acquire and control the best "monopolies" in order to collect the highest rents. They've learned to negotiate and find ways to make great deals. They've learned how to take the luck out of Monopoly and consistently win big as a result.

To me, this sounds a whole lot like the real world of investing. You need to learn how to take the luck out of wealth creation and instead develop smart strategies to get ahead. First you need to learn how to play the game, and then you need to know how to win the game.

Myth # 9: To become rich you must diversify.

Wrong! Yet that's what most financial planners suggest isn't it? Diversification leads to an average outcome. I've found that successful investors don't diversify -they cultivate the skills required to make better, smarter investing decisions and specialise in one niche.

Myth # 10: Paying off your house provides security.

This is one of the old myths many of us learned from our parents, who probably learned it from their parents.

But it doesn't make sense in the new financial era. The problem here is that once you've paid off your house, you end up with idle equity sitting under your roof doing nothing; equity you could use as a deposit to buy an investment property and grow your wealth.

Myth # 11: All the good investments are taken.

That's not true – opportunities are always out there – in every market. Sometimes there are a lot and sometimes there aren't.

Some are obvious and others are opportunities you create by understanding investment markets. Sure, all of yesterday's deals have been taken, but tomorrow's deals have not. Someone will snap them up. Why shouldn't it be you?

Myth # 12: If you want to do it right, you have to do it yourself.

There's no such thing as a self-made millionaire. All successful property investors have a good team of professional advisors and supportive mentors around them.

That doesn't mean you should hand over full responsibility for your wealth creation to others. But the rich recognise that they can't be an expert in all aspects of wealth creation, so they find a team of experts they can lead in order to help them achieve their goals.

Myth # 13: I' ve done everything wrong! It' s too late.

It's never too late to learn how to invest or to overcome your mistakes. There are many success stories of people who conquered all sorts of adversity, or started investing later in life and ended up achieving financial freedom.

In fact Ray Croc was over 50 years old when he built his very first fast food outlet. You might have heard of it – it's called McDonald's.

Myth # 14: Debt is bad.

Most Australians believe debt is a dirty word, but not all debt is bad. Savvy property investors know how to use good debt to buy appreciating assets.

Myth # 15: It doesn't matter what I want - I just can't do it.

Subscribing to this myth is almost a guarantee of failure, because our beliefs and perceptions become our reality. Some people who've had a few failed attempts "learn" that wealth is beyond their control and they can't affect the outcome. They remain in a cycle of victimisation all their lives.

This is one of the reasons why the rich get richer – they believe they are in control of their destiny.

You must also believe you're in control and act as if you're in control. Then pretty soon you'll be surprised by the results you achieve. Invariably, the more success you have the more your thoughts about what you can and can't control will alter for the better.

Yes – you can do it!

There's no way money can know who's in control of it, what their qualifications are, what ambitions they have or what they're going to do with it. Money is there to be used and spent, saved and invested. It can't judge whether you're worthy or not.

Now that you understand some of the myths that have held so many people back, the good news is **you can do things differently**. Choose to change your beliefs to produce outrageous results and reach every goal you set.

Of course while property investing may be simple it's not easy. And that's not a play on words.

Fact is, around 20% of those who get involved in property investment sell up in the first year and close to half sell their property in the first 5 years.

And of those investors who stay in property, about 90% never get past their second property.

So if you want financial freedom from property investment to fund your dreams, you're going to have to do something different to what most property investors are doing. You're going to have to listen to different people to who most Australian property investors listen.

You're going to need to set yourself some goals and follow a strategy that's known, proven and trusted.

Then you grow your property investment businesses one property at a time.

Of course…you need to buy the right type of properties.

One that has a level of scarcity, meaning they will be in continuous strong demand by owner occupiers (to keep pushing up the value) and tenants (to help subsidise your mortgage); in the right location (one that has outperformed the long term averages), at the right time in the property cycle (that would be now in many states) and for the right price.

5 TOP TIPS TO NEGOTIATE YOUR WAY INTO A PRE-AUCTION PURCHASE - BRYCE YARDNEY

When a purchaser gets involved in negotiating for a property they've fallen in love with, emotions can rule logic.

It's easy to get caught in the moment and end up paying more than you perhaps should.

As either a homebuyer or a property investor, it's critical not to get carried away by your emotions, but instead approach the negotiation process from a position of knowledgeable detachment.

What do I mean by this?

Quite simply, you need to have done your research, know the value of the property you hope to buy and remain as impartial as possible so if need be, you can walk away.

So let's take a look at the best way to secure a property prior to auction and how you can use some tried and tested negotiation tactics to come out ahead of the game.

Forced to buy before auction

Buying before auction can sometimes be more nerve-wracking than attending the auction itself.

When you are standing amongst the crowd of bidders, you can clearly see your opposition and what price they're prepared to pay. agent house

I find auctions a transparent selling method, which if you are experienced, can give you the upper hand.

However a recent purchase the team at Metropole made for a home buyer brought to light just how stressful putting your cards on the table before the big event can be.

Presented with an attractively renovated townhouse that was scheduled for auction, but was going to sell two weeks earlier because the vendors had received an acceptable offer, we were put under pressure from the selling agent to make a move or lose out.

Making it clear that if there was no other offer forthcoming, the property would be sold, the agent created a sense of urgency that any layman would find daunting,

At this stage our clients, a young married couple, had not managed to view the property so I bought a little time - enough to get them through for an inspection and as I guessed, they fell in love with the home because it suited their family's requirements down to a tee..

The rules of engagement.

I asked the agent to clearly spell out his agency's specific rules of engagement when properties are sold before auction and as one would expect, the terms and conditions were predominantly in the vendor's favour, including a 10% deposit, unconditional terms and specific settlement date to meet the vendor's purchasing requirements.

Additionally, our offer had to be in writing and presented by no later than 5pm the next business day.

Whilst I wasn't privy to the specific offer that had already been made, I was advised that it was at the top end of the quoted price range.

However, having thoroughly researched the area and the comparable property values along with recent sales, I knew the property was worth more than the top end of the quoted price range.

With this information, we established a 'walk away' price and decided if it was exceeded, we would get on with the property search and not dwell on what could have been.

Essentially, we were limited to making our best offer and if it happened to be more than the first buyer then, without our offer being disclosed to them, they would have a right of reply

However we would not be afforded the same luxury, so to stay ahead of the game we calculated how much the other interested party might go up to and hopefully make our offer more attractive, yet not too excessive for the property's value.

This is what I call 'flying blind' and to get the best possible deal and beat out the competition, the right market knowledge and buying strategy are critical to give you an edge. business man hand exchange dollar sign and house icon

However we would not be afforded the same luxury, so to stay ahead of the game we calculated how much the other interested party might go up to and hopefully make our offer more attractive, yet not too excessive for the property's value.

The only thing we kept up our sleeve was that no one knew what we were prepared to offer right until the 5pm deadline.

I delivered the contracts at 4:59pm and was advised we had the highest price on the table.

I had a coffee and waited about 15 minutes to hear the outcome as the offers were presented to the vendor, who was inside the agent's ready to sign a contract.

The other prospective buyers, the one's who had made the first were also present, exercised their right to increase their offer but luckily we just pipped them at the post– it was a very close race!

As you can imagine, our clients were overjoyed.

It was an emotional roller coaster, but a great result.

What are the lessons?

The big take home message is that time is always a critical factor when it comes to successful negotiation.

In this case it was the only weapon we had to put pressure on the other buyers because, had we responded sooner than the 5pm deadline, the first buyer may have used that extra time to come up with an offer higher than ours; and it would have been our clients who walked away without the home of their dreams.

In summary, here are my top five top tips for negotiating your way into a pre-auction purchase;

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In summary, here are my top five top tips for negotiating your way into a pre-auction purchase:

1. Do your homework

It might be considered ‘flying blind’ to make a competitive offer against another potential purchaser when trying to secure a property prior to auction, but that shouldn’t mean you have no idea as to the price you’re prepared to pay.

The best weapon when it comes to negotiation in real estate is knowledge

Know the market, know the value of the property in question and armed with that power, if it’s the right property – and especially if you’re looking at buying your home – don’t be scared to put your best offer first.

There’s no point risking losing the home of your dreams just because you wanted to nab a bargain.

But you should also be prepared to walk away if the price is too high.

2. Be prepared to lose

While no one likes to consider themselves the ‘loser’ in any sort of negotiation campaign, it’s far better to walk away and live to fight another day than over-commit to a property you’ve become emotionally blinded by.

This comes back to tip number one – if you know the true value of a property and set a limit on what you’re prepared to pay, make sure you stick to your plan.

After all, there are plenty more "fish in the sea" and by losing gracefully, you just might find you're a bigger winner the next time around.

3. Don't be forced into a "Dutch auction"

A "dutch auction" is essentially where two or more potential purchasers end up making "blind bids" prior to the property going to auction. 37167921_l

Having no idea how much the other party is offering, the selling agent will tell you that they have put in a higher amount and ask if you're prepared to increase your offer.

This can go back and forth several times, depending on just how far each party is prepared to go.

Dutch auctions often push the price of a property beyond reason as emotions get the better of unwitting participants.

Again, the key is to walk away when you reach the limit you set yourself.

4. Time is your greatest weapon

Use time to your advantage by making your offer at the last possible minute.

Never be too hasty or impatient as this will work against you and could be the reason you lose out to another purchaser.

During any negotiations, waiting is a great weapon in your arsenal. It will make the other party sweat a little and it gives you the upper hand.

5. Play your cards close to your chest

Real estate agents are very skilled at prying information out of potential purchasers, including the price they're prepared to pay for a property.

After all - it is their job!

Sometimes you can end up revealing things to them that you never intended to and that might be detrimental to your negotiation power.

By keeping your cards close to your chest and revealing very little about how much you might pay for a home, you maintain an advantage and ensure the agent cannot use your information to sway another potential buyer to increase their offer and outbid you.

4 REASONS WHY RENOVATION FLIPS OFTEN FLOP – BY BRYCE YARDNEY

It happens every year. house depreciation calculator market property renovation plan build construction home

The TV show "The Block" inspires a new wave of investors keen to get involved in renovating and "flipping' properties.

Just to make things clear "flipping" is where you purchase a property and then sell it within a short period of time for a higher price, usually having added value through renovations.

Sounds good doesn't it.

But it doesn't work!

It's is a speculative strategy that is not recommend, especially at this more mature stage of the property cycle

The major issues with this strategy is:

1. Transaction and Holding Costsrenovate

When you consider high transaction and holding costs such as stamp duty, selling costs and interest repayments (remember your property will be vacant while you renovate it) you may find that on a $500,000 property, your transactional costs could be as high as $60,000 eating away all your Profits.

2. Tax

Even if you do make a profit, you then need to pay tax on it and you don't benefit from the capital gains tax discount available if you hold a property for a longer period of time.

3. 'Flipping' in a Fickle Market

I've seen investors make money flipping properties in a strongly rising market, but this is usually because the market has been rising strongly – not because of any special skills they've got.

On the other hand, to flip for a profit in a flat market is very hard to do.

4. Unrealistic Expectations

I've seen investors come home from "get rich quick" seminars hoping to buy a property for $450,000, spend $30,000 doing it up and immediately sell it for $550,000.

It just doesn't work that way.

Forget what you see on "The Block" – TV reality shows aren't real.

Firstly, you can't do much of a reno for $30,000 and if you did and added $45,000 to the value of your property, you're doing very well.

Others are hoping to do renos and flips as a job – again this is unrealistic

On the other hand

Buy, renovate and hold is one of my favourite property investment strategies

I enjoy taking a dwelling that's been a bit neglected and breathing new life into it, making it into a home my tenants will love and want to care for and more importantly, it's a great way of manufacturing equity for my property investment portfolio.

This strategy requires a lot of planning when it comes to successful execution, but over the last decade numerous prime-time television shows have glorified the idea of buying a derelict hovel, throwing tens of thousands of dollars at it and selling for a tidy profit.

Making it all seem terribly easy and glamorous.

But the thing with property is this:

The way you make money out of property is not by buying, renovating and flipping.

As I said, after stamp duty, interest, holding costs, selling commission and tax there is rarely any profit in this strategy.

On the other hand buy, renovate, refinance and hold for the long term is a time tested investment strategy that works.

Why dispose of something you've (often literally) put so much blood, sweat and tears into – only to sacrifice profits to selling costs and possibly Capital Gains Tax – when you can hold onto it and use the power of time and leverage to realise its maximum wealth accumulation potential?

If you renovate and retain property you stand to gain so much more, with the potential to:

- Manufacture thousands of dollars in equity and fast-track your investment's capital growth,
- Make your newly refurbished rental property attractive to a wider range of potential tenants
- Receive higher rental as your newly improved asset shines against its competitors.
- Get the tax benefit of extra depreciation allowances.

WHY CAPITAL GROWTH BEATS CASH FLOW EVERY TIME – BY KATE FORBES

Every property investor is looking for the secret to success, aren't they?

Some spend years searching for a mythical investment strategy that will be their path to untold riches.

Alas, while they are on their unhelpful hunt, they miss golden opportunities that could have helped them achieve their financial goals and dreams much earlier.

And one of the most common mistakes that novice investors make is being fixated on cash flow instead of on capital growth, which is where the secret really lies.

To prove my point, let's take a look at some capital growth facts.

1. It's the key to duplication

The thing is most people's incomes means they only have the capacity to invest in one property at a time.

These days you can't invest in property without a deposit and it's always been hard to save one of those.

The key to growing your portfolio is duplication, which necessitates more deposits.

It's highly unlikely that many people can save multiple deposits over their lifetimes.

But what they can do is use the capital growth (or equity) in their properties instead.

If they'd invested in cash flow properties, while they might have solid rent coming in, it generally won't do anything to help you with a deposit for your next property.

2. A question of debt

How do you feel about carrying debt?

Some people can't sleep at night for fear of a market crash or interest rate rises.

But, as I've said before, good debt like mortgages on investment properties can provide you with leverage to magnify your gains.

Yet in order for this to work, you need to have gains to start off with, which isn't necessarily the case with cash flow properties.

I've seen more than my fair share of investors whose borrowing capacity has been limited by owning low capital growth assets, which prevent them from borrowing to buy better performing properties.

3. Less than ideal liquidity

It should come as no surprise that cash flow properties have less than ideal liquidity.

What I mean by that is they can more difficult to sell if your circumstances change.

Plus, you'll likely walk away with very little additional proceeds from the sale because it hasn't increased in price overly much.

Selling real estate also carries high divestment costs such as agent fees and advertising, which will further eat into any potential profits from a cash flow property.

On the other hand, an investment grade capital growth property will be more attractive to potential buyers and you're likely to walk away with much more money in your back pocket after the sale.

4. Equity means choices

My final point is that if you buy a property that doesn't grow in value you have to hope that the rent continues to cover the costs of ownership.

But if you buy one that goes up in value, you have a number of options that increase over time.

If you want to, you could use the equity to buy another property and maybe refinance in order to free up cash flow for other investments.

Another strategy could be to renovate to add value or you might choose to sell it at the point of retirement in order to pay down debt.

So let' s clarify...

Chasing a magic property investment formula can be a fruitless exercise and if you do what most property investors do, you're likely to get the same result – your wealth creation journey will come to a halt as while cash flow keeps you in the property game, it's really capital growth that gets you out of the rate race. That's why I recommend you only buy investment grade properties – the type of real estate will always be in demand by owner occupiers and in locations that will continue to be desirable because of their proximity to infrastructure and amenities.

The fact of the matter is no one ever saved their way to financial freedom.

No, they invested wisely in assets that grew in value over time to provide them with a lifestyle everyone dreams of, but unfortunately relatively few accomplish.

LEAVE THE HERD BEHIND - MAKE YOUR OWN INVESTMENT MOVES! – BY BRETT WARREN

I'm sure you were asked at some point or another by your parents, "If (insert name) jumped off a cliff, would you?"

While this is obviously a ridiculous question, the point they were trying to make is there are followers and there are leaders, and perhaps at the time you were intending to follow someone who was heading in a less than desirable direction!

When we are teenagers, we're often warned about "peer pressure", which is basically doing something because everyone else is doing it. This behaviour is also known as the "herd mentality". In other words, just like an obedient sheep or cow trotting along behind the rest of the cattle, you are acting according to what the masses of the moment dictate. If we get into the social mechanics of following the crowd, some experts would probably suggest it's a way for us to feel safe or accepted; we're sticking together and not straying into unchartered waters all alone.

The problem is, while it might seem like the safest option at the time, the herd can also present a very real risk to the individuals in it. Think about a herd of zebras wandering across the plains of Africa who are suddenly confronted by a hungry lion. There is panic and chaos as the danger is sensed by each animal and suddenly they are all feeding off each other's fear.

Wikipedia describes the "herd mentality" as:

Individuals in a group can act together without planned direction.

We've all seen this type of behaviour; consider peaceful demonstrations or sporting events that somehow turn into riots. Generally this is due to a handful of people who decide to cause trouble and in turn, their emotions flow through to others around them who then become aggressive themselves or panic – the fight or flight instinct kicks in. Now quite obviously in the above scenario, the herd mentality can be physically threatening and dangerous, but when it comes to investing – either in shares or property – the herd mentality can be just as harmful.

Consider shares for a moment, where a boom or crash is triggered by a mass panic of buying or selling among traders. Generally the emotions driving the traders' actions are driven by either fear or greed or more often than not, both.

Another example would be an audience at an investment seminar where the speaker is spruiking the latest "get rich quick" scheme. They tell the crowd that if they don't act today, they will miss out on the "opportunity of a lifetime" and before you know it, just about everyone is eager to sign up; afraid they will miss out on their millions!

There is an excellent quote by the famous military strategist Sun Tzu:
"To see victory only when it is within the knowledge of the common herd is not the acme of excellence."

In other words, if you want to be average, follow the crowd of average folk out there and press on with the "herd". But if you want to achieve excellence, you need to break away from the pack, take your own path and make the best choices for you as an individual. Successful investors know that to get to the top of the property ladder, they need to overcome the fears that hold most people back from ever stepping foot on the first rung. They also understand the importance of timing and, wait for it, going against the crowd!

Essentially in property, when everyone is panicked into buying because of talk in the media about a booming market or thriving economy, the smart investor sits back and watches the throngs of buyers who think they might miss out push up prices, almost overnight. The smart investor thinks this is fantastic, because during the slower part of the property cycle, when there was talk in the media about an impending market crash and a decline in housing values, they took advantage and added to their portfolio. You see, at this point, the "herd" had become fearful so most of them either decided to sit tight and see if the doom and gloom predictions would come true, or worse still, many chose to sell up – afraid they were about to lose everything. This meant there was a glut of stock on the market and very few willing buyers.

Of course this approach to investing requires two things – the confidence to make a move against the crowd and trust your own instincts and some knowledge of property cycles and how the ups and downs work.

So what do you do if you don't have the confidence or knowledge required? Well perhaps it's a good idea to find a new herd to follow – the much smaller herd of successful investors who have gone before you; read books, attend seminars, watch DVD's or seek individual assistance from people who have achieved the type of success you desire through investing.

THE 7 DEADLY SINS OF LEARNER LANDLORDS – BY BRETT WARREN

Buying your first investment property can be an exciting and daunting prospect all at once. You are pouring your hard earned savings and/or equity into a very expensive asset, but as long as you've done the required homework and formulated a sound investment strategy, you can look forward to successful wealth creation.

Once you have chosen the right property though, the work is really only just beginning. Now you are a landlord and in this role, you have certain responsibilities that you must meet in order to make sure you gain the maximum returns possible.

Every day, I see numerous mistakes made by "learner" landlords who have limited knowledge of managing a rental property. Following is a list of what I would consider the "7 deadly sins" committed by beginning investors and some tips on how you can avoid them.

1. Thou shall not become emotional.

Investing in property is about facts and figures, but all too often investors make the mistake of becoming emotionally invested in their property search. Sometimes the best investment is one that you can never imagine living in yourself. Perhaps it needs minor refurbishment or doesn't meet your requirements, but is a perfect fit for the primary demographic of the location.

Then there are the landlords who want to stamp their own personal style on their property. This might include loud colours on the walls and garish flooring, but the best rule to follow in order to maximise your property's rental and resale appeal is to always go neutral with the décor and wherever possible, select durable, hard wearing finishes.

2. Thou shall mind your own business.

You would never consider throwing half a million dollars into a new business without a business plan right?

But surprisingly, this is what a lot of investors who are starting out do. They jump straight into buying an investment property without first formulating a detailed investment strategy/business plan, even though building a portfolio must be approached as a business endeavour in order to be successful.

Additionally, just as a new business owner must employ the best team to ensure their company takes off, so too must an investor surround themselves with experts who can help them make informed decisions, such as accountants and solicitors.

Far too often people get into property investment as a "hobby" and end up only ever owning one investment (which is just as ineffective as owning none), or up to their eyeballs in debt that they struggle to pay back. Avoid this trap by replacing emotion with some business savvy.

3. Thou shall keep their house in good order.

One of the most frustrating aspects of property management is dealing with new landlords who think the best way to make money is by not spending a cent on the upkeep of their investment property.

They fail to conduct repairs in a timely manner and can't see the value in a coat of paint, new air conditioner or dishwasher or a kitchen makeover.

The fact is, minor renovations can not only add significant capital value to your investment, it can also increase your rental returns overnight. General maintenance is also important as it will ensure your property's value holds up and make it easier to re-let as required. For this reason and to do the right thing by your tenants, it's important to attend to repairs in a timely and professional manner.

4. Thou shalt not befriend thy tenants.

While I completely advocate landlords being nice to their tenants in terms of conducting maintenance as required and ensuring their property is a comfortable and safe environment, one thing I firmly discourage is direct interaction between the two parties.

All too often though, landlords decide to form a relationship with their tenants and then the problems start. The tenant thinks that because you're a friend, you might not mind too much if the rent's a little late each week.

It's always best to keep the tenant/landlord relationship on a business level and employ a professional property manager to act as your go-between.

5. Thou shall ask for help.

It's difficult to avoid the above mistake when landlords decide to look after their property without the assistance of a professional property manager.

Many beginning landlords think they can save a bit of money on letting fees, etc by choosing to "cut out the middle man", but it can cost you quite a bit more in the long run if you take this route. Not to mention the fact that property management fees are fairly inexpensive anyway…and tax deductible!

A property manager knows how to effectively market your rental premises to prospective tenants in order to minimise vacancies, they collect the rent on your behalf and will act as your representative at Tribunal should the need ever arise. They also save valuable time that you could spend searching for your next investment opportunity!

6. Thou shall reap the best rental rewards.

Another important role of a property manager is to conduct regular rent reviews to ensure the landlord is achieving the best possible returns on their investment. Often landlords don't have the ability to determine the best market rent for their property at any given time, as they have limited access to necessary research.

Property managers know the area they work in intimately and have an extensive list of comparable rentals in order to calculate the best market rent for your property. This is critical, as your tenants help to repay your loan. By keeping up with rental increases, you can better manage your debt and minimise the gap between your returns and repayments, particularly if interest rates are going up.

7. Thou shall always appreciate depreciation.

Having a depreciation schedule professionally done can be a God send at tax time. Many landlords think that this is only necessary with a new property though and don't fully appreciate the concept of depreciation.

There are numerous items in a rental property that can be depreciated at a certain rate, allowing you to claim a tax deduction on them. I know of some property investors who manage to reduce their debt significantly just by depreciating as much as they can and using their tax refund to pay down their loans.

If you avoid committing these seven sins and instead, seek to understand the rules of the property investment game, your portfolio will generate heavenly capital gains into the long term and put you on a path to successful wealth creation.

HOW DO YOU KNOW WHEN THE TIME IS RIGHT? – BY AHMAD IMAM

One of the things I constantly see as a property strategist is investors who have missed out on a great opportunity because they were so consumed with timing the markets, they forgot to actually take the plunge and buy something.

Generally, these investors become obsessed with the idea of buying right at the bottom of a property cycle so they can secure a "bargain".

They wait and watch and when they start hearing talk in the media about a market slowdown or impending crash, they think, "Ah ha, now is the time to make my move! Or is it?"

You see, this type of investor becomes so determined to get the best possible deal that they are never quite sure if prices could go just that little bit lower; so they wait.

Of course by the time they realise they should make a move, the so called "bargains" have come and gone and the market is moving onward and upward again. And as the property cycle starts over, so too does the waiting game played by these would-be investors. While timing of the markets is important to some degree, it is definitely not the key to investment success.

There's a saying in property circles that goes:

"When was the best time to buy property? 20 years ago! When is the second best time - today!"

In other words, you buy when you can afford to and when you are ready.

How many people have thought that affordability is just too much of an issue right now to get into property investing? We all hear about it constantly in the media – the issues with the rising cost of housing and the property bubble that's about to burst. I'm certain this has caused many potential investors to sit on their hands and wait to see what happens. I'm also certain that many of these potential investors will kick themselves in about five year's time for not taking the plunge in 2010.

Now I'm not suggesting that you should run off and buy any old property at any point in the property cycle just because you have some extra funds lying around. Far from it.

The take home message is that while the property market undeniably has its ups and downs, well located, highly sought after property rarely declines in value over the long term...and property investment is all about the capital growth you can achieve over the long term.

So yes, there will be times when your investment only grows in value by maybe 5% per annum, but there will also be times where it skyrockets by 20% plus.

On average, you want your property to earn you around 10% per annum or more over the long term, taking into consideration the extreme highs and extreme lows.

Again, I'm not suggesting that market timing isn't something you need to consider as an investor. In fact, I think the more knowledgeable you are about how the property markets work, the better prepared you will be and the higher your chance of creating significant wealth.

But while it's natural to be cautious and while you should carefully assess your own personal position when it comes to your capacity to invest, you should also remember that with risk comes reward.

There will never be the perfect time or the perfect property – you simply will not find either. But procrastination does not equal profit.

Don't let the question of timing or the fear and doubt that can come with taking the plunge into property, be your undoing. Yes, there are risks involved – as with all investing – but these can be minimised with the right type of research, financial planning, goal setting and of course, advice from experienced and independent experts.

If you take the approach to property investment of slow and steady wins the race; in other words, if you are in it for the long haul and not just to make a quick buck, then when you buy won't be as important as what you buy.

If you're willing to sit on your property purchase for the medium to long term and buy in tried and tested areas that provide consistent, proven above average growth, you'll win the game every time.

A perfect example of this is a property we purchased on behalf of clients in July this year. Located in the popular suburb of Dulwich Hill, the two bedroom, one bathroom apartment with its own secure parking space was bought for $445,000.

The property represented a good investment with a number of positive attributes, but position was the dominant reason for suggesting this particular apartment to our clients.

Dulwich Hill attracts strong buyer demand and boasts excellent infrastructure and amenities. The property itself is approximately 500 metres from public transport, cafes and a shopping centre and has a nice natural flowing floor plan and good size bedrooms. It is located within a small boutique block of 6 apartments in a tree lined, prestige street.

Additionally, the bathroom and kitchen both have potential for further refurbishment, allowing the clients to manufacture supplementary capital growth. The current rental yield is 4.8% per annum, based on a weekly rent of $410.

This is the type of property that proves investing is more about buying right than buying "at the right time". It's in the ideal location, in an ideal apartment block, with the ideal layout and basically has all of the fundamentals that make the perfect investment.

While there's high demand for rentals in Dulwich Hill, there is an undersupply of properties in the area that meet our strict investment criteria, making this a fantastic find.

THE REAL ESTATE INVESTING STRATEGY I'D RECOMMEND TO NEWBIES – BY AHMAD IMAM

There is no doubt that first time property investors are staking their claim on markets across the nation.

In fact many are choosing to rentvest and buy their first investment before they buy a home.

The thing is, while there is more information available than ever before, far too many newbies continue to make simple mistakes, which can cost them dearly in the long run.

So, here are three insights first-time property buyers must understand before wading in to the market.

1. Educate yourself

From blogs like this one, to property podcasts and property magazines, there is a plethora of real estate investing information at your fingertips – the problem is not all of it is good.

Can you tell the difference?

Unfortunately, many first-timers can't, so they wind up listening to a "supposed" expert who is really just trying to market inferior properties to them.

Before blinding following the advice of someone who might have a sparkly profile online, do some research on how long they have been in business – including how many market cycles.

You must also know whether they adopt the strategy they are recommending to you, because if they don't there is something fishy going on.

The bottom line is you must be careful who you listen to.

2. Understand different types of investment strategies

Once upon a time not that long ago most people just bought one property, or maybe two, and then did nothing else.

Some of them might have achieved strong capital growth but that was probably just down to luck.

Others might have been stuck with a property that didn't go up in value in a decade – or even fell dramatically like in mining locations.

There are a number of different investment strategies to consider:

- Capital growth – which means buying a well-located property that is likely to outperform the averages over time because of strong demand from owner occupiers.
- Cash flow – which means buying a property that attracts a high weekly rent that will cover more of the costs such as the mortgage repayments and council rates.
- Renovation – which means buying a property that needs some TLC so that you can on-sell it for a healthy profit.

Now I have deliberately written each strategy to make them all sound equally attractive – but they're not.

You see, cash flow might sound like easy money, but those properties generally never increase in value significantly because they're new or located in regional areas, so you are likely to lose out on stellar capital growth that is required to get the deposit for your next property and the next one.

Ditto, renovating and flipping – this strategy doesn't really work today because there are high entry and exit costs that will make a big dent in any potential profit.

Plus, most first-time renovators overcapitalise.

3. Invest for capital growth

And that brings me to the strategy that I always recommend to newbies – which is investing for capital growth and not cash flow.

Don't get me wrong, cash flow is important because it pays the mortgage and keeps you in the game, but capital growth gets you out of the rat race.

Investing for cash flow sounds tempting, but you'll never build a big enough asset base to have choices and develop financial freedom.

Also, renovation is a sound strategy, but not if you intend to flip it.

The better approach is to undertake some cosmetic renovations on a capital growth property that will improve its value over the long-term as well as its rental income because tenants will pay more to live in a nicer property.

At the end of the days...

Investing in capital growth properties is one thing, but the other part of the equation is holding them for the long-term.

That's because it takes a number of years for the magic of compounding to do its work.

So, newbies must also learn patience as well as the ability to ignore any short-term vagaries of the market.

That way, in the years ahead, they will likely be in a better financial position than they ever thought was possible when they started.

I've recently come across a new firm that is "pretending" they are Australia's largest buyers agent. Despite having a small team they "pretend" they have offices in most Australian capital cities and New Zealand. I'm sure their glossy brochure and fancy website impresses lots of potential clients.

Then there are the seminars that make outrageous promises. Come to my course and I'll teach you how to invest like the pros and buy property with options – you know what I mean...put down $1,000 and control millions of dollars worth of property. Or the ones that say buy my DVD course and become a property developer over the weekend. You know... build 4 units, sell 3 and keep one free of debt.

All this sounds to good to be true doesn' t it? Of course it does!

So what can Harry and other property investors learn from what happened in previous property cycles? Or will they be doomed to repeat it?

My suggestion is to educate yourself and become financially fluent. But be careful who you learn from. As I've already explained; find a credible source, not someone with incredible promises. This will allow you to be in control of your own financial destiny. Of course this doesn't mean you should do it on your own. To become a successful investor you will need to surround yourself with a team of independent and unbiased professionals – a team of people who are known, proven and trusted.

Then go ahead and take advantage of the new property cycle, because the future is bright for property investors.

4 PROPERTY INVESTMENT MISTAKES YOU MUST AVOID – BY MICHAEL YARDNEY

Here's a starling but true fact: most Australians who get involved in property investment never develop the financial freedom they were looking for.

Close to half of those who get into real estate sell up in the first 5 years, and of those still in the game, most never get past their second investment property.

However, some investors do very, very well.

To help you succeed in your property investment endeavors, here are four common mistakes property investors make and how you can avoid them.

1. Buying the wrong property.

To achieve financial freedom through property investment you'll need to accumulate a large asset base.

This means owning the right properties – ones that grow strongly in value and outperform the averages, so you can borrow against your increased equity and fund further property purchases.

However, when you ask many investors why they purchased their property they'll say things like: it was close to where they live, where they holiday or where they want to retire.

These are all emotional reasons for buying property, and while possibly a good way to buy your home; they are not the right way to buy an investment property.

Of course the alternative is to buy properties based on research which further your wealth creation plans.

2. Not having a plan.

Most of us spend more time planning our holidays than we do planning our financial future.

If you don't have an investment plan, how can you hope to develop financial independence?

Most Australians fall into 4 categories:

a. They don't invest at all.

The majority of Australians fall into this group – they just haven't taken action yet.

b. They don't invest enough.

Others have bought a home and understand the power of appreciating real estate, but they want to pay it off before they invest in more real estate.

This means they are not using the untapped equity in their home to further their financial future.

c. They invest too much.

Some people invest too much – yes that's possible!

They have taken unnecessary risks and borrowed too much. Investors who are too highly geared may run into trouble as interest rates rise in the future.

d. Those who invest the right amount.

Then there are those who invest just the right amount. Not too little. Not too much. They invest the right amount -sounds a bit like Goldilocks doesn't it?

For them every property purchase is part of a thought-out wealth creation plan.

The problem is that if you don't have a strategy it's easy to get distracted by all the "opportunities" that keep cropping up.

Unfortunately many of these don't work out as expected. Look at all the investors who bought off the plan or in the so-called next "hot spot", only to see the value of their properties underperform.

3. Not reviewing their property portfolio.

While property is a long-term investment and the costs of buying and selling real estate are considerable, that doesn't mean you should fall into the trap of not reviewing your property portfolio.

Of course you can't easily "swap" properties or reweight you property portfolio like you would shares. But you should still regularly review your property investment portfolio to see what you can do to improve or upgrade it's performance.

When was the last time you checked to make sure you were getting the best rents or that your mortgage was appropriate for the current times?

Maybe it's time to refinance against your increased equity and use the funds to give you a buffer for the uncertain times ahead or maybe to buy further properties?

And sometimes it is appropriate to consider selling an under performing property to enable you to buy a better investment.

Remember, in the next phase of our property cycle some properties will strongly outperform others and the gap between your under performing property and those investment grade properties will only widen.

Do you own the type of properties that will allow you to take advantage of the next property cycle?

If you own secondary properties or real estate in areas that are unlikely to benefit from strong capital growth, it may be worth selling up and replacing them with the type of property that will help you develop long term financial independence.

In fact last year I sold 3 properties that no longer suited my investment strategy.

And the last common mistake I see investors make is...

4. Not Managing their Risk

Growing your property portfolio will depend on you being able to borrow money to hold on to your properties and keep buying more.

Therefore your ability to service your debts or to borrow additional funds would be a potential risk to you.

Not being able to service your loans could mean you're forced to sell a property.

Not being able to borrow more would retard your wealth creation opportunities.

Of course the risk management solution to prevent this happening is to prepare budgets and cash flow forecasts, manage your exposure to interest rate fluctuations and maintain cash flow buffers.

Smart investors don't only buy properties; they buy time by having these financial buffers in their lines of credit or offset accounts, to not only cover their negative gearing but to see them through the ups and downs of the property cycle.

Another way sophisticated property investors secure their assets is to buy them in the correct ownership structures that protect their assets and legally minimize their tax. Most wealthy property investors own nothing in their own names, but control their assets through companies or trusts.

As Australia moves through the next stage of the property cycle, there'll be tremendous opportunities for investors to build a substantial property portfolio and gain financial independence.

The cycle is giving us a gift at the moment. With increased market uncertainty and less demand from buyers, many properties are "on special."

Let's make sure we learn the lessons from the past to help us secure our future.

SEVEN AUCTION SINS – BY BRYCE YARDNEY

I know that many property investors are a little intimidated by the thought of bidding for a property at auction.

I can understand why because auctions are an emotional and exciting event.

And even after bidding at hundreds and hundreds of auctions I must admit I still get that surge of adrenaline every time I bid.

But auctions can also a psychological battle, so it's important to have a strategy in place to give you the best chance of winning on the day.

But there are also some things you shouldn't do at auctions – blunders that could cost you a great investment.

1. Not bidding at all

It's interesting that sometimes many prospective buyers don't want to make a bid and some let the property pass in to another buyer.

Then, you see, they'll hang around after the auction, hoping a deal isn't reached so they can jump in and negotiate the bargain of the century – alas, this is usually a terrible tactic.

The way to be the winner at the end is to actually bid.

In fact, serious buyers should make sure they're the last one to bid because they can negotiate with the seller, with the vast majority reaching a favourable deal.

2. Deciding on a round number

Many bidders set an inflexible limit, and often a round number such as $700,000, for no valid reason.

Buyers should do their homework about exactly what they can afford and consider being a bit more flexible if they have the capacity.

Often buyers can miss out on a property because they're not prepared to increase their bid by as little as $500, which is silly when you think about the long-term capital growth potential they may be missing out on.

3. A is for assertive

A buyer's game-day performance can shake off competition, which may believe you have a bottomless wallet.

It's important to dress like you are have the means to buy the property, be assertive, and to stand at the front so you can see where the other bidders are.

Don't be afraid to look other bidders straight in the eye and make sure you bid confidently in a loud clear voice.

4. Stopping and starting

Buyers who pause mid-auction to confer with their family or friends about their limit or intentions could be giving away more than they know.

It's important for a buyer who's there with their partner to decide on who's actually bidding and also to determine key signs to allow you to communicate in a non-verbal fashion mid-auction.

Savvy homebuyers should attend as many auctions as they can to watch the theatre of how successful bidders behave, their body language and their interaction with the auctioneer.

A buyer needs to be assertive even if they're on their last bid by making it seem like they have several bids still up their sleeve.

5. Making ridiculous offers

Starting too low, in some cases, might invite other bidders into the auction ring and allow momentum to build.

But going in with a strong, confident bid could knock out several contenders early on.

If you've done your market research, and hopefully you have, then making a ridiculously low offer is usually a mistake.

6. Pretending you' re not interested

It's a strange phenomenon that some buyers attend auctions and then pretend they're not interested in it at all. But it can work in the buyer's favour to show interest during the entire auction campaign.

If no one bids at auction, because seemingly they're not interested, then the vendor is legally entitled to make a vendor bid on the property to help move the auction along.

This can either get things started or when the auction stalls because everyone is trying to "play the game".

Agents say however that they want to help a genuine buyer purchase the property, so it's important to be upfront about your intent and to bid with confidence.

It's always better to be a standout buyer because it can help you compete better on auction day as well as be on the agent's radar.

7. Going in too hard too late

Just because a property is passed in, it doesn't mean the vendor will necessarily sell the property to anyone there.

They may decide to try to sell it by private treaty or even take it off the market if they're not going to achieve the price that they wanted.

While it's important to be assertive, prospective buyers at this point in time shouldn't be aggressive because this rarely works and will most likely just put the vendor offside.

8 PROPERTY SELLING MISTAKES TO AVOID LIKE THE PLAGUE – BY BRETT WARREN

There's no getting away from the fact that selling your property is a big deal. sale sign auction house property market

There are no certainties and lots of hard decisions to be made, underscored by the pressure of knowing that certain decisions could mean thousands of dollars less in your pocket.

But how do you avoid making poor choices and ensure a positive selling experience, while also achieving the best sale price possible?

Learning from other people's mistakes is a great place to start and these eight doozies are all too common:

1. Having the wrong motives when choosing an agent

Choosing the right real estate agent is paramount to a successful selling experience.

But deciding who to use based solely on the commission they charge or your familiarity with them can be a big mistake.

A reduced commission may be tempting but as with anything in life, you often get what you pay for. Similarly, using a friend or relative in the industry might put a strain on the relationship – and your profit margin – if they are not familiar with your area or property type.

Instead: Go for a widely acclaimed, experienced real estate agent that you trust.

Interview a few different agencies and look for someone who is honest, prepared, makes you feel at ease, has a good track record in your suburb and is a great negotiator.

2. Being too controlling with your real estate agent

It makes it very difficult for the real estate agent when sellers don't let them do their job. Of course you should have a say in the marketing strategies in use, but be prepared to take their advice on board – after all, you are paying them for their experience.

If you don't want to pay for any advertising it could really inhibit the sales campaign, and prevent a great agent from selling your property at the best possible price.

Instead: When you are working with an agent you trust you will value their advice and know that it is coming with the best intentions and experience behind it.

Discuss costs, strategies and accountability with them upfront, and then let the agent do their job properly.

3. Being half-hearted

If you are putting your property on the market just to see if you get a bite, then it is likely going to be reflected in how many buyers actually take the bait.

It also stands to reason that your agent will have the same attitude.

Instead: decide and commit.

If you definitely are ready to sell than it means that you are ready to do the hard yards of finding a great agent, committing to the marketing process and preparing your house to be on show.

4. Leaving the research up to your agent

A real estate agent has access and experience that makes their opinion very valid but don't let that be the beginning and end of the story.

Use it as the starting point but don't rely on your agent for all of your information and market date.

Not only could this lead to disappointment with the price they advise, it gives the agent all the power to make and influence your decisions.

Instead: Do your own research when you are preparing to sell your house.

Start looking at other properties that are for sale in the suburb and what they are listing and more importantly selling for. This will help you be more realistic when you are discussing prices with your agent.

5. Revealing that you're desperate

Buyers seem to be able to sniff out desperation from a mile off and they are all too willing to pounce on it with a lowball offer.

Some common indicators that all is not well in the vendors' camp include continually lowering the asking price, and putting your house on the market without quality photos or a tidy street appeal.

As investors, we know that first impressions count and an attractive curb appeal shows that you're disinterested in your asset, which can lead buyers to wonder whether the property has other maintenance issues you haven't addressed?

Instead: Improve your chances at getting a high offer by properly preparing your property for market.

This means allowing time to find the best agent, waiting for good weather for quality photos, gathering market research and if your budget allows it, staging.

Most of all, remember that you don't need to reveal your reason for selling to any buyer, so just keep it simple and say you are relocating.

6. Selling as-is

While adding a new kitchen for the sake of selling is not always budget friendly and could put you in danger of over-capitalising, foregoing basic tidiness is not an option.

There is a lot you can do to improve the presentation of your investment when you're selling, without spending a bucket load of money.

Remember: buyers want to be able to imagine themselves living in the house or renting it out to interested tenants, so give them every opportunity to do just that.

Instead: Spend some time cleaning, tidying, repairing, neutralising and staging before you put your property up for sale – ask your agent for his/her opinion on what needs to be done.

If the property is tenanted to less-than-tidy residents, you could even consider paying for a weekly cleaner prior to open inspections so that the property presents in its best light.

7. Ignoring early buyers

We want to believe that an offer will come along and blow us away but the reality is, offers above market value are very rare. Realtor giving house key to buyer in empty room

Did you know that the best prices are often achieved in the first weeks of the house being on the market?

The further the sale campaign extends, the more leverage buyers have, as they know the vendor is getting tired of waiting for a sale.

As a result, one of the first questions a buyer usually asks is, “How long has it been for sale?”

Instead: Do the hard work up front with your agent to determine a fair price to put it on the market.

Get the word out about your house and then be prepared to make a quick decision when offers start coming in.

Or if suitable, stage an auction campaign so you can be assured of achieving the best price the local market can support.

8. Hiding problems

Painting over the water damage instead of fixing it might be a good short-term solution to making the house presentable for showings, but it can work against you when buyers start to get serious.

If a buyer notices an issue like that, they quickly become suspicious about other problems the house might have and could decide against making an offer.Big Painting Job !

Instead: Repair problems properly or be upfront about ongoing issues.

No house is perfect and most potential buyers are willing to negotiate around minor problems.

Selling your investment property can be a demanding time, but if you go in prepared (and with a realistic idea of recent suburb selling prices), you can streamline the process and avoid extra stress.

While there will always be a lot of unknowns when it comes to selling property, whether its in your neighbourhood or located interstate, many variables can be minimised by avoiding these issues and working with an experienced agent.

LITTLE SECRETS ABOUT LOANS THAT LENDERS LIKE TO HIDE – BY MICHAEL YARDNEY

As a property investor seeking to make the most from your portfolio, every little aspect counts - right? When it comes to finance in particular, maximising your borrowing capacity, having the right loan structure and product(s) and saving money wherever possible are top priorities.

So wouldn't you like to know some of the banks' secrets that could potentially save you thousands? Here are some things to look for when considering a loan that the banks might not want to tell you about.

Find the best loan for you

If you approach a lender on your own to source a loan, who do you think they are going to look after; their shareholders or you? Banks are a business and like any business, they're out to make maximum profits. As such, a lender is not necessarily going to be completely upfront about the best potential product for you.

Additionally, giving you a range of product options can mean more work for them, or even the prospect of you looking further afield at what other finance providers have to offer, hence they risk losing your business entirely.

This is why a mortgage broker can be an invaluable ally when it comes to sifting through not only all of the various lenders, but the hundreds of loan products available. A good broker should be objective and willing to put your needs first. They should sit down with you, work out your requirements and then find the product that is the best fit for you.

Start out with the best possible structure

Many home owners dream of one day using their own home as a stepping stone to climb the property investment ladder. But what the banks won't tell you when you apply for your home loan is that how you structure the finance on this initial purchase can make a big difference to your ability to take the next step and leverage into an investment property.

Generally, the best approach for a home owner looking to become an investor is to save a large deposit – say 20%, then borrow the maximum LVR of say 90%. Then you keep half of your initial deposit in an offset account, allowing you to maximise your debt, while minimising your interest repayments.

Then when you upgrade into your next home and keep your first home as an investment property, you can enjoy better tax advantages as that property still has a high level of debt attached to it. And even better – you have the extra 10% that you initially kept in an offset account to put toward your new home.

Don't put all of your eggs in the one basket!

A lot of lenders encourage cross collateralisation when it comes to property finance. Of course they want you to give them all of your business so they have all of your security under their control. But this rarely benefits the borrower.

Having all of your properties under the one loan gives the bank ultimate power over your portfolio, as well as your family home. For instance, if the value of one or two of your investments happens to fall and drag the overall value of your portfolio down, even though you might have other top performing properties with loads of equity, the bank can deny an application for refinance based on the overall value of your properties.

Additionally, they can decide which property to sell should you default on your loan and potentially sell your family home out from under you. Whereas if you have stand alone mortgages, you have the power to choose what to sell, when to sell and which properties you should borrow against to grow you portfolio.

You can use a Line of Credit to manage cashflow

If you believe your property portfolio will generate strong capital growth, it can be beneficial to set up a cashflow buffer in the form of a Line of Credit account. This involves borrowing against the equity in an existing property and establishing an account that you can access should the need arise.

Perhaps your property remains vacant for an extended period, or large unexpected maintenance bills crop up. With a LOC, you can cover such expenses and keep your cashflow under control.

The good thing about such a buffer is that you only pay interest on the amount you access, when you access it. Of course for the banks, this means losing out on potential interest repayments and thus profits. So you can see why they like to keep this little gem to themselves!

Beware of exit fees and break costs

Have you ever taken out a fixed rate loan? If you read the contract on a fixed rate loan carefully, you'll find a formula to calculate the break costs should you choose to pay out this loan early (either by paying down the debt or refinancing), that Einstein himself would struggle to work out!

In fact even the lenders themselves have trouble giving borrowers a clear answer as to exactly how much it might cost to exit a fixed rate period early. They certainly don't readily tell you before signing on the dotted line that quite often the penalty payable could amount to thousands of dollars. Essentially, the higher the gap between the fixed and variable rate at the time you break, the more it will cost you.

For this reason, you need to be 100% certain that you won't be looking to take an early exit from a fixed rate loan should you decide to go with this option.

In the same vain, while the banks are legally obligated to specify any exit fees should you decide to settle your loan before the contract end date, as well as ongoing administration charges; they will certainly avoid drawing your attention to such costs and just how expensive they can be.

Ask questions and get your lender to explain any fees, as well as the loan terms to you in plain English before you commit to anything. You should also keep in mind that if you intend to give the lender ongoing business as you grow your portfolio, you have every right to negotiate their fees down.

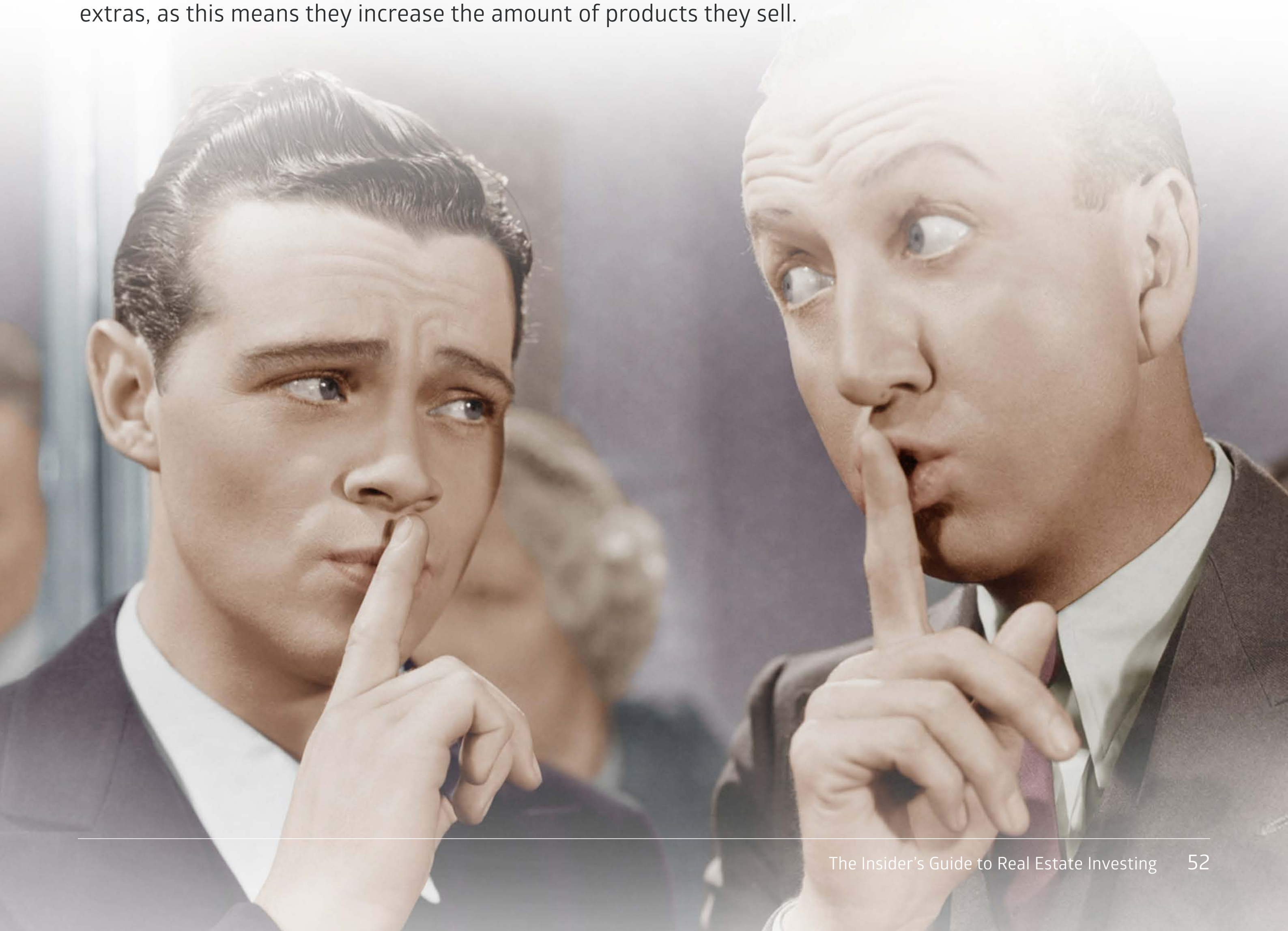
Not all Lenders' Mortgage Insurance is created equal

While most lenders will require that you pay LMI should you seek to borrow more than 80% of the purchase price of a property, what they won't tell you is that LMI costs can vary greatly from bank to bank. Having to pay LMI is not necessarily a bad thing, as it means you can make the most of your borrowings and essentially buy more assets, but you should still shop around to see how much the LMI is for the various lenders.

Don't be hooked by the bells and whistles

Often banks will have basic loan products available, which offer lower interest rates but very little in the way of "extras" as well as professional loan packages that come with all the bells and whistles, such as a pre-approved credit card, linked offset accounts and a transaction account.

While all of these trimmings might benefit some borrowers, others might gain more by saving on their interest repayments with the basic product. Of course the banks would prefer that you take up all of the extras, as this means they increase the amount of products they sell.



10 COMMON MISTAKES MADE BY FIRST TIME PROPERTY INVESTORS – BY KATE FORBES

When it comes to property, there's no shortage of information available about what budding investors should do in order to ensure success. But perhaps more important are the pitfalls to avoid so you don't become a statistic of the property game.

While many start out with every intention of making it big in real estate, only a handful will ever get past their first investment and even less will create real wealth by climbing to the top of the property ladder.

To help you out, I'm going to share with you 10 of the most common mistakes that beginning investors make and some tips on how you can overcome these to win big with real estate.

1. Heart over head

When buying a home, about 90% of your purchasing decision will be based on emotion and only 10% on logic. This is understandable, as your home is where you'll raise a family. It's your sanctuary. When it comes to investing however, letting your heart rule your buying decision is a common trap to be avoided at all costs.

Allowing your emotions to cloud your judgement means you are more likely to over-capitalise on your purchase, rather than negotiating the best possible price and outcome for your investment goals.

You should always buy an investment based on analytical research. Will it provide the gains and returns you require?

It is in the best location to attract quality tenants? Will it appeal to the owner occupier market that sustains property prices in the long term?

By answering these questions, rather than buying a house because you loved the curtains or thought it would make a good holiday retreat, you're thinking based on financial gain rather than personal feelings.

And at the end of the day, investing is all about the economics, not the emotions.

2. When you fail to plan you plan to fail

It's an old adage but very true. Attempting to build a lucrative property portfolio without a plan of attack is like setting out on a road trip without a map…you'll inevitably take a wrong turn and end up lost!

Successful wealth creation through real estate requires you to set goals, determining where you want to end up, and then devising a cohesive plan to get there. You need to focus on both the short and long term and ensure your investment decisions gel with your overall strategy.

Work out what you want to achieve with regard to income – are you chasing short term yields or long term capital growth - and how you can best manage your cashflow as an investor.

What type of property do you need to buy in order to meet your income goals?

With a carefully thought through outline of your investment journey, you will end up exactly where you want to be. So plan your action and then action your plan.

3. Diving in or dithering

Two of the most common traits of budding investors who never make it beyond their first property (or sometimes never even make it to their first!), are either acting too impulsively or being overly cautious and never acting at all.

The first is in too much of a hurry. They think they have to have it all yesterday. They attend one seminar and buy into the first crazy scheme they're sold without thinking it through and when it doesn't make them rich overnight, they lose heart and throw in the towel, saying property just isn't for them.

The second are procrastinators and their own worst enemy. They attend every seminar, read all the books and watch all the DVD's, only to end up overloaded with information and unable to act. We call this paralysis by analysis.

While the former can sometimes learn from their mistakes and make a success of their investment endeavours, the latter will never overcome their fears.

The best you can do is find a happy medium – sure, learn as much as possible to make you comfortable with your investment decisions, but don't think you can ever know it all before you begin.

You will always have something else to learn and the best way to gain knowledge is to immerse yourself in the game itself.

4. Speculation over patience

Many people get into property investment hoping to become overnight millionaires.

They think property will be a quick fix to their financial problems, but the truth is seeking short term gains in real estate is more about speculation than strategic investing.

The primary reason that bricks and mortar is a long term prospect is that it lacks the liquidity and hence the volatility of other assets classes, such as shares. In other words, it's not all that easy to buy and sell property, and doing so will rarely make you rich. It takes time to sell real estate and then there are the numerous costs involved, including capital gains tax.

Where some might see this as a shortcoming, I see it as a strength; because property is a proven commodity that we all need, it has the tried and tested ability to provide steady, long term gains through the power of compounding.

In other words, you use the gains you make from one property to leverage into another property

and then with the combined gains you make from those two properties, you buy more to add to your portfolio.

Better still, you can use other people's money (borrowed from the banks) to do so. No other commodity gives you the ability to do this so successfully.

By approaching property investment with patience and persistence, you will gain far more success (and wealth) than if you seek out the "next big thing". Securing proven, high performing property that grows consistently over the long term is the only way to ensure you make it to the top of the property ladder.

5. Not doing your homework

Understanding property markets takes time. And getting to grips with the cyclical nature of real estate is something that even eludes many experts. So don't think you can attend a seminar or two, or read a couple of books and have a handle on exactly what to buy.

You need to know the neighbourhood you intend to invest in like the back of your hand. Make yourself completely familiar with any given area by pounding the pavement and talking to the locals, real estate agents and property managers. Find out all about the amenities, vacancy rates and historical values of properties in the area.

When you know the area, get to know the street you intend to buy in and the property you intend to buy.

You can never know too much about your investment!

6. Buying the wrong property

Failing to do the above will inevitably lead to this big investment blunder! By knowing your market, you will know what property to buy. In other words, are you investing in a suburb that predominantly attracts families or young, single professionals?

The demographic of an area will make a big difference when it comes to what type of property you buy.

If you're in a family market, you wouldn't invest in a two bedroom apartment, whereas if you were targeting a young, childless tenant base, you wouldn't want a large, family home.

The bottom line is – know your market and buy accordingly.

7. Poor cashflow management

It's easy to fall into the trap of poor cashflow management as a beginning investor.

Understanding all of the costs involved in acquiring and holding property can be difficult and you should always seek the advice of a professional accountant who knows about real estate investment to ensure you know exactly what you're getting into financially.

You also need to make sure that you can afford to hold onto any property you buy. In other words, how much income will your investment(s) generate and will it be enough to cover your outgoings? If not, can you manage any shortfall?

Don't forget to account for any contingencies, such as extended vacancy periods or unexpected maintenance costs. A good rule of thumb is to allow about 10% of the property's value for costs such as rates, land taxes, insurance, maintenance and management fees. It's great to dream about the riches you can make from real estate, but it's critical to enter into property investment with your eyes wide open when it comes to all the out of pocket expenses you'll incur along the way.

Examine each potential investment analytically and ensure you make adequate allowances. By underestimating your income and overestimating your expenses you're more likely to avoid any nasty surprises.

8. Financing faux pars

The best advice I can give any beginning investor when it comes to financing your property investments is to seek help from a qualified, professional mortgage broker.

Going it alone can be daunting and time consuming and obtaining the right type of finance can save you thousands in the long run. Setting up an incorrect financial structure can be just as detrimental to your investment endeavours as selecting the wrong type of property.

There are numerous considerations to make here and a good broker who understands investment will be able to guide you in the right direction.

9. Being less than thorough

So you've found the right property and you're ready to make a move. Have you really done every little bit of research into the investment? Do you know why the vendor is selling? Knowing the vendor's motivation can make a big difference when it comes to negotiating a good price.

During the initial inspection look for clues as to the vendor's personal situation; are they going through a divorce for instance? While it might sound a little callous, this gives you an opportunity to buy a bargain, as well as giving the seller a chance to move on with their lives.

Have you had the relevant inspections done to uncover any structural defects or signs of pest infestations, like termites? The fees for these are tax deductible and paying say $800 for this type of peace of mind can save you thousands in the long term.

Finally, is the property liveable from a tenant's perspective? Remember, while you won't be living here, someone else will, and they'll be paying you to do so. Ask yourself, is the floor plan appealing and will the property provide a comfortable, practical home?

Always do a second and third inspection at different times of the day. Is it noisy during peak hour? How does the light work at different times? Are the neighbours party animals or quiet?

Ticking all of the right boxes when you inspect a property will ensure you buy the best possible investment every time.

10. Saving by self managing

You've done all the groundwork and secured the perfect property investment…now the hard work really begins!

Many investors think by self managing their portfolio; that is finding their own tenants and acting as their own property managers by organising the collection of rents, maintenance, etc will save them a packet and give them greater profit. Wrong, wrong, wrong!

In the short term, this might seem plausible enough, but what happens when you have a portfolio of say twenty properties? The ongoing management of such a portfolio essentially amounts to a full time job!

You have to find and qualify suitable tenants, know the laws pertaining to renting, have a firm grip on the value of your rental, conduct regular inspections to ensure your tenants are looking after your asset, collect the rent, represent yourself at tribunal should things go awry, deal with all the maintenance issues that crop up and be on call 24/7 for your tenants. Sound appealing? I didn't think so.

Paying a professional property manager to handle all of these things on your behalf will not only mean you get the best outcome for your rental property in terms of a good tenant and the best possible returns, it will also give you something just as valuable as money when it comes to investing – time.

All of that time spent managing your properties could be put to far better use…finding more investments to add to your portfolio and generating even greater wealth.

HOW TO CHOOSE THE RIGHT INVESTMENT LOAN – BY KATE FORBES

Faced with the prospect of selecting the best investment loan from literally hundreds of lenders and thousands of products, exactly how do you make sure you get it right?

Understandably, most property investors focus primarily on buying the best possible property for the best possible price. Many never even give much thought as to how they intend to structure their borrowings over the life of their portfolio and as a result when it comes to selecting a loan, they often go for the cheapest interest rate or a product with the most bells and whistles.

The fact is getting your loan product and structure right is a critical aspect to the success of your investment endeavours and it requires more than a cursory glance at the latest offerings from the big banks.

Regardless of whether you choose to undertake the process of trawling through the various products from the countless lenders out there on your own, or you seek help from a suitably qualified mortgage broker, you should always do a bit of groundwork to ensure that the loan you eventually end up with is just as good as the property you invest in.

Here are five steps you need to take before signing any type of loan agreement:

1. Determine your financial goals

This is a step that you should already have taken before you even start looking for an investment property, let alone a mortgage. Basically you need to secure a loan that will enable you to meet your financial goals.

Is a lower interest rate important to you, or do you require certain features that you might not get with a low rate product? This is where you financial goals will come into play.

For instance, if you want your portfolio to be cashflow neutral or positive, you might go for a lower interest rate to ensure your rental income will cover your repayments. Whereas if you are negative gearing, you might decide to lock in a fixed rate so you know what to expect when it comes to out of pocket expenses each month.

On the other hand, if you are starting your portfolio later in life and want to pay off any related debt as quickly as possible, you might need additional features that will allow you to do so; such as a product that lets you make additional repayments or one large lump sum payment without penalty.

Then there are loans with offset accounts, which mean you can safely stash away any extra cash (such as your investment buffer), whilst reducing the interest payable on your investment borrowings.

2. Work through the figures.

Obviously before applying for a loan, you have to be 100% certain that you have the capacity to meet the required repayments.

The best way to work this out is to write up a detailed budget, including all of your monthly living expenses and income. From there, you can determine how much you can afford to repay each month on your investment loan.

This exercise will give you an idea as to your buying budget and the type of investment property you can realistically afford, as well as helping you decide whether you should go for a loan with more features that will come at a higher price, or whether a competitive rate is your top priority.

Many lenders offer useful tools, such as lending calculators, that can give you some idea as to how much you can afford to repay on your investment mortgage each month after all of your expenses are accounted for. We have a range of calculators on our site - check them out.

3. Find out who offers what

Once you know what type of loan will best suit your requirements, it's time to go shopping – on line that is. It has become a lot easier to compare lenders and their products, with a number of internet sites available that allow you to sift through a large selection of loans and the features you get with each.

Make sure you check the comparison rates particularly, which outline not only the interest rates applicable to each loan, but any other fees and charges that you might incur.

4. Talk to a number of lenders or an experienced broker

You've done the legwork, sorted through the various products on offer and you know what you can afford to borrow; now you need to make your move. You should have a short list of lenders identified from your Internet research and if you're confident that you can narrow down this list to pick the best lender and loan for your needs, it's time to start talking to them personally.

However, if you would prefer to have a mediator on side acting as your go-between to help you determine who you should go with and which particular product, it might be time to call an experienced mortgage broker.

The aim of this exercise is to find out as much as possible about the loans, features and options you are considering. Additionally, a broker can tell you what criteria you'll need to fulfill in order to secure the loan you want and how to make your application as attractive as possible to potential lenders.

Whether you go it alone or use a broker, ask as many questions as you need to satisfy yourself that you are walking away with the best possible deal.

5. Time to review

You've met with the broker or lenders and received a lot of information that you'll need to digest. Now is the time to take a moment; consider all that has been discussed, go back to your initial budget and make sure you can meet the loan obligations, ensure that the loan is the best fit for your financial goals and finally, go over the loan documents thoroughly so you understand all of your rights and responsibilities.

SIX REASONS MOST PEOPLE WILL NEVER GET RICH... AND HOW TO MAKE SURE YOU DO! – BY MICHAEL YARDNEY

Having worked with thousands of property investors over the years, I discovered that successful investors do things in a certain way that helps them become rich while others continue do things differently and in general they tend to struggle.

I've come to the conclusion that when you do what most successful investors do, you get to become one of them, and if you don't, you won't.

So let's look at six simple reasons most people will never get rich and how to make sure you do:

Reason 1. Most people wait to long to start

Most people can't wait to succeed, yet they are willing to wait to get started on the road to success.

Many investors are waiting for everything to be "perfect" before they get going. They wait for the right time in the cycle, the right property, the right economic environment or the right interest rates. Which means they never get going.

The longer you wait to get started with your investing, the longer it will be before you get the money, success and freedom you want. It takes time to grow real wealth. It takes time for the power of compounding to work its magic.

You need to understand that the timing will never be perfect or you will never have all the information you want. You need to develop the confidence to make an investment decision based on knowing enough and realising that you will learnt he rest along the

Reason 2. Fear stops them

Fear keeps many of us from getting what we want, especially in matters of money. It's true for me and it's true for you.

Be honest with yourself and count the number of times fear has prevented you from taking action, and in the process cost you a lost financial opportunity.

In the matter of property investment fear holds many investors back. Some fear taking on more debt, others fear failure and some even have a fear of success (will my friends still like me?)

Successful investors have learned to harness their fears and rather than focus on the negatives, they use fear to force them into positive action. For example, rather than allowing fear of debt to stop them taking on the commitment of buying a property they use the fear of not moving forward with their investments to motivate them. They use the fear of being stuck in their job for the rest of their lives, without the financial independence that they are craving, to motivate them to take on the commitment of an investment property.

Just like a river, fear can be bridged. The river of fear is only as deep and as wide as you allow it to be. And once you've crossed that river of fear and experienced the success on the other side, you usually look back and wonder why you were ever afraid.

But here's the catch. The only people who actually realise this are those that have crossed the river and stand on the other side.

Money and success lives on the other side of fear.

Reason 3. Waiting until they know enough

The fear of not knowing enough prevents other investors from getting started.

However the irony here is that the more you learn, the more you learn that you don't know! Once you start learning some basic investment concepts you suddenly realise there are a whole lot more things about investing or property that you don't understand.

That's the paradox of knowledge. The more you learn, the more you learn you don't know. The trap is that many investors think that the way to escape this paradox is to learn even more, so they read more books, go to more seminars, listen to CD's and watch DVD's.

As they learn more they find a whole heap more things they don't yet know.

The way out is to recognize that while you don't know it all, and you never will, you do know enough to get started with your investing and you will learn more along the way as you apply your knowledge in the real world, surviving any mistakes and challenges along the way.

Reason 4. Focusing on linear income instead of passive income

It is important to realise that not all income is created equal. Some streams are linear and some are passive.

Linear income is what you get from a job. You work for an hour and get paid once for that hour's work, and that's it. If you don't turn up to work you don't get paid.

Passive income is when you work once but continue to get paid over and over again from work you're no longer doing. The way to become wealthy is having passive income coming in whether you go to work or not.

Wouldn't it be nice to be paid hundreds of times for every hour you work?

That's what happens to property investors. Initially they work long hours and save up a deposit and then invest it into a property. Now their money starts working for them and keeps giving them sound investments returns "passively" in the form of capital growth and rental returns. Rather than getting another job, the wealthy people know they need to send their money out to work for them.

To put it simply "*if you're not making money while you sleep, you'll never become rich.*"

Reason 5. Not using systems for making money

A system for making money is something that takes the emotion out of your investment decisions and makes the results more reproducible.

My preferred system is investing in high growth property. In particular I invest in high growth properties in areas that are in the upturn stage of their property cycle. I buy them below replacement cost and then add value through renovations or redevelopment. I never sell these properties. I borrow against the increasing equity in my property portfolio to buy more properties.

Once you create a proven system for making money, there is no limit to the money you can make.

Reason 6. Not being patient

Warren Buffest once said: "*wealth is the transfer of money from the impatient to the patient.*"

To become a successful property investor requires patience and persistence. You must not only get started, but you must continue on and follow through.

Residential property is a long-term investment. It's not a get rich quick scheme.

Yet many investors speculate rather than invest. They look for that "big deal" which will land them a jackpot in a short period of time. In general these types of deals rarely occur and if you find one are speculative in nature and more risky.

The problem for many investors is that the successful buy and hold strategy I advocate is boring and others consider it slow. But successful property investment is a long-term affair.

Many investors look for the latest fad or try finding the next hot spot or speculative growth areas. Other investors consider other types of investments with potentially higher returns.

When you are tempted to do this remind yourself that real estate has been the number one long-term multi-millionaire maker throughout New Zealand's history, yet most people that speculate in the latest fads have not made much money.

You don't have to look for the latest fads or the latest speculative growth areas if you create your own capital growth through buying a good property at a fair price, then adding value through refurbishments, renovations or redevelopments. By doing this you are manufacturing your own capital growth.

So, it' s really quite simple...

Decide to do these six things that successful property investors do and you are much more likely to become a successful and wealthy property investor. If you don't do them, then like most people, you may never get rich.

WHEN IT COMES TO PROPERTY INVESTING - IS BIGGER BETTER? – BY AHMAD IMAM

Australia is renowned for its wide open spaces, vast landscapes and livability, we now have also taken the title of the country of the "World's largest homes."

Here's a startling but true fact...We are at the top of the leader board when it comes to square metres of living space, beating our traditional rival the United States.

As an investor you are probably thinking: so what are the implications of this for my property investing?

Data released by CommSec shows the Aussie home has increased on average by 10 per cent over the past decade, hitting a record of 214 square metres, three times the size of the average British home.

Interestingly New South Wales boasts the largest dwellings of all the states, with the average size of new homes built over 2008-2009 measuring a whopping 262.9 square metres, while Queensland housing came a distant second at an average 253 square metres. And at the same time, the average lot size has become smaller.

But it is unlikely this trend of ever increasing homes will continue, with affordability issues already scaring off Gen Y from the housing market and forcing many of them to stay at home longer with their parents. At the same time, we have a population set to double over the next few decades and changing demographics, with fewer people living in each household.

The key to being a successful property investor is to buy the type of property that will be in continous strong demand in the medium to long term, so as to maximise capital growth.

So a logical question to ask is...where are we going to house all these extra people and in what sort of dwellings are they going to live?

It has long been suggested by those in the property industry that building smaller, medium to high density dwellings around the inner city and transport hubs is the best way to prevent urban sprawl. This argument has been supported by recent town planning legislation from state and local governments, which encourages more compact, centralised development, such as townhouses and apartments.

Australia has traditionally lagged behind the rest of the world when it comes to adopting apartment style living as the norm. For instance in Europe the biggest homes are found in Denmark (a mix of houses and flats) where the average floor area is 137 square metres – almost half that of the average NSW house.

Coming in second is Greece, with 126 square metres and the Netherlands with 115.5 square metres. In the UK, where developable land is limited and flats are the most common type of housing, home sizes are the smallest at 76 square metres.

It's not just our super-sized McMansions that are making headlines though, as the cost of renting in Australia is also on the rise. BIS Shrapnel have predicted that rental prices will continue to soar upwards in the future, with a forecast jump of around 5 per cent in per annum in most of our capital cities in the next few years.

While this may be bad news for tenants, it is of course good news for landlords who will pocket an extra $2 billion nationally during the next 2 years according to BIS Shrapnel. Not bad if you own the right type of investment property – medium density apartments and townhouses in the inner and middle ring suburbs of our capital cities.

PLAN FOR PROPERTY INVESTMENT SUCCESS – BY AHMAD IMAM

The statistics say it all –80% of Australians who invest in property never make it past their first investment. This is in spite of the fact that one property will never make you rich... it will never even make for a comfortable retirement when you consider that this stage of your life could represent around twenty to thirty years.

So why do so many investors never make it beyond that initial property?

Quite simply, many of them make the mistake of buying with their heart rather than their head. They abandon the research required to purchase a property that has the capacity to generate strong long term capital growth, in favour of a very short term view. However, to create a wealth building property portfolio you must take a long term perspective, plan to succeed and keep the big picture in mind.

Buying property without first understanding certain key elements of investing is like starting a journey to a new destination without a roadmap. Property investment should always be approached with a sound strategy in place even before you start looking for the best buy.

Let's consider the key elements of property investing that you need to know inside and out and the type of investment strategy you should implement in order to ensure success.

1. Why are you investing?

Many people like the idea of investing in property to make money, but this really isn't a good enough reason to go out there and do it. You need to consider your long term goals; do you want to secure your retirement income? Leave a legacy for your children? Have the funds to enjoy a certain lifestyle? Once you determine what your long term goals are, it is then time to think about how property investment can help you to reach them.

You need to create a timeline for your goals and review your progress on a regular basis to make sure you are on the right track.

2. Buying right.

At Metropole, we always aim to secure property for clients below its intrinsic value. Many novice and even experienced investors feel they have nabbed a bargain when they negotiate a vendor down by $20,000 off the advertised sale price. But do they really know the true value of the property? Only extensive research and a sound knowledge of the area, as well as the type of property you're buying ensures you will buy right. Sure, a $20,000 discount might seem like a great outcome, but what if the true value of the property is actually $40,000 less than the asking price?

3. The importance of capital growth.

The basis of a good investment strategy is to build a portfolio of properties that will generate good long term capital growth above and beyond all else. This is because as your property grows in value, you can then leverage into more property by using that growing equity. In other words, you can build your portfolio much quicker and add more and more properties over the years.

4. Can you add value?

If you can buy an investment that will allow you to "manufacture" capital growth instantly – by buying right and buying something that needs a bit of a facelift – it's an added bonus and can even mean you can build your portfolio faster.

Being able to see the potential in a tired 1970's apartment where others only see bland and boring can give you the winning edge in two ways; firstly you can potentially secure the property below its intrinsic value and secondly, with a coat of paint, an update of the kitchen and bathroom and perhaps some new floor and window coverings, you can not only increase the value, but also the rental income. The key is to avoid money pits that require a lot of structural repairs, as it's the cosmetic work that adds value, rather than things you can't see, such as re-wiring and re-plumbing.

5. Your financial capacity.

Do you have enough cashflow and/or equity to invest in the right type of property? It's no good buying something you can afford if it's in an area that won't make for a good long term investment and generate that critical capital growth. You might think you can only afford to buy in a regional town or outer suburb, but these types of locations are less favourable for property investing than inner city suburbs because they often lack the more desirable amenity, employment prospects and popularity with tenants that are found in inner city areas.

So you need to make sure you have the funds to match your ambitions. A good mortgage broker who understands property investing can be your greatest ally. They can assess your borrowing capacity and help you to establish a lending strategy that will enable you to build your portfolio with the right type of loan structure in place. This is important because structuring your borrowing properly in the first instance can save you a lot of money in the long run.

6. Structure to save.

Not only do you need to have the best financial structure in place to meet your property investment goals, you also need to understand how to structure your portfolio to get the most from it. This is where advice from a good accountant who is experienced in property investment can be invaluable. There are numerous structures in which you can purchase and hold property, but you should always seek legal and financial advice to make sure the structure you use is appropriate for what you want to achieve.

I have seen many investors just go and buy a property in their own name, when they could have saved thousands and enjoyed a variety of tax benefits from using a Trust structure or purchasing in the correct name, etc. It is critical to structure your portfolio correctly from the start as changing structures half way can be a costly exercise.

7. Ask for help.

All successful investors and business leaders know that they can't do it alone. They understand the importance of seeking advice from properly qualified professionals and delegating. Ticking all of the above boxes on your own can be a daunting prospect, but if you engage a buyer's agent to find you the best property for your circumstances, a mortgage broker to organise your finance, an accountant to structure you portfolio and a property manager to tenant your investment and look after it, you will enjoy the journey more and get the most out of your portfolio.

Including all of these elements in your property investment strategy will greatly increase your chance of success, as well as the prospect of becoming one of the few investors who make it beyond the "one house hump".

Property investment should be part of a long term strategy which makes it a more predictable venture and removes the emotion that can lead to poor buying decisions. You're more likely to become wealthy by things you say no to, rather then the things you say yes to and having a strategy will make it easier to make those crucial decision.

9 COMMON MISTAKES INVESTORS MAKE – BY BRETT WARREN

Property investing doesn' t seem like it' d be all that difficult, right?

You buy a place, jazz it up, rent it out and enjoy the returns.

How could anyone make too much of a mistake?

Right?

If only it were that easy.

In reality, there are actually plenty of different mistakes, missteps and errors that can derail your investment – and if you're not prepared, they could cost you a bomb to rectify.

Here are nine of the most common mistakes investors make time and time again:

1. Failure to be financially fluent

You don't need to have a degree in finance or accounting in order to invest in property, but you do need to have at least a little knowledge of money and how it makes the world go round.

Investing will usually require money being borrowed, and without the basic knowledge of how funding and finance works, you might accidentally limit the amount the bank is willing to lend you, thereby starting off on the wrong foot.

You also need to know how to budget and save money, because your property investment will require a certain amount of financial upkeep over the years.

If you don't prepare properly, you could wind up consumed by debt.

2. Being too scared to invest

It's fine to admit that investing can be an intimidating idea.

Parting with such a large amount of money and making such a big decision can seem daunting, but if you're well-prepared, it doesn't need to be so scary that it stops you from taking action.

Unlike the share market, real estate is much less volatile and can provide better stability than other investing choices.

It's also much more predictable, so you can rest assured that once you've done your research, you're likely to see a great result.

You also have the option of surrounding yourself with advisors who can assist you in making the best decisions and minimise any room for error.

3. Trying to diversify too much, too soon

When you diversify your investments, it essentially means you're including several different types of investments in your portfolio, such as stocks, bonds, shares and property.

This sounds like a good idea – in theory.

In practice, diversification can lead to averageness; average performance, average results and as a consequence, average wealth.

This is because property can be too lumpy and expensive to effectively diversify.

In fact, it's the one area where it can actually pay to put all your eggs into one basket and look after it – just make sure it's the right basket you've got all of your hopes and dreams pinned to.

4. Attempting to outsmart the market

We would all love to outsmart the market by trying to time our entry to the exact perfect spot, right at the bottom of the cycle, poised for massive gains.

Sure, property might be relatively predictable – but if your plan is to attempt to time the best moment to break into the property market, you might find that the pay-off of waiting just won't be worth it.

Many property investors go by the advice that "the best time to invest is yesterday", which is a philosophy I adhere to myself.

Yes, it's ideal to buy at the bottom of the market if you can.

But if you invest in a good quality property in a blue-chip location with high rental appeal, then your long-term outlook should be positive regardless of how much you paid.

You also should avoid trying to fight the trends seen in the market.

They're trends because they're working, so don't make the mistake of thinking you know better.

Aim to stick to the big capital cities where there are plenty of jobs and infrastructure and people earn higher wages.

5. Not having a system

Property investing isn't something you can do on a whim.

You need to have a decent plan in place in order to maximise your potential returns, and there are plenty of different ways you can go about this.

One of the most popular strategies is known as buy and hold, where you buy a property with the aim to generate long-term capital growth by adding value through renovating or redeveloping.

Personally, my strategy is to buy high growth properties, before adding value through renovations or redevelopment, then refinancing and holding for the long term.

No matter which strategy you choose, pick one that works best for you by taking into consideration the time and money you have available, along with your long-term property goals.

6. Failing to review the performance of your portfolio

Property investing isn't something you can "set and forget".

It's something that takes time and dedication, and frequent reviewing.

At least once a year, you should sit down with an independent property strategist and take the time to review your investments.

A qualified outside opinion is beneficial because over time, you can become emotionally attached to your portfolio, so an objective viewpoint can help to clear your judgment.

7. Focusing on your own backyard

This is a common mistake many people make, because they feel like they can get better results if they focus on their own comfort zone.

But even though you might've lived in the area for years or even your whole life, that doesn't mean it makes good financial sense to invest there.

If you're not in one of the three big capital cities – Sydney, Brisbane and Melbourne - consider becoming a borderless investor and invest in a different state.

8. Failing to take into account property cycles and market history

Property is cyclic in nature.

To make the best and most profitable investments, you should aim to make the most of these cycles by understanding what they are, when they occur and how they can impact your investments.

History doesn't necessarily repeat itself, but it can teach us a lot of lessons that can help us make better decisions, and ultimately, better investments.

This doesn't mean you necessarily have to wait or time your purchase in line with cyclical conditions.

What it does mean is that you should be aware of how the market is moving, so you can best strategise how to take action.

9. Chasing the next hot spot

If you're chasing the next hot spot in property, then you aren't investing, you're speculating.

This is akin to gambling, and it's a hell of a risky way to try and build wealth.

The trends in property fluctuate just like the trends in everything else, and this year's hot spot will often be next year's not spot.

Don't make the mistake of thinking investing in property is a quick turnaround.

It's a long-term game, and if you want to get the best results, you have to be dedicated to the idea of investing in property for at least a 10-year timeline.

HOW TO GET STARTED IN PROPERTY DEVELOPMENT – BY BRYCE YARDNEY

In these changing times, when property investors can't count on double digit price growth any more, many investors are considering getting started in property development to help them 'manufacture' some capital growth. While property development can be very lucrative, many beginning developers get themselves into trouble because they don't know what they don't know. They step into a potential minefield without doing sufficient homework. At the other extreme, many would-be developers don't even get started because they don't know where to start.

Many big property developers started doing simple residential renovations, and that's not a bad place to start – you can learn a lot without risking that much. If you want to get involved in the development of new townhouses or apartments, then a great place to start is understanding the process. Developers follow a sequence of steps from the moment they first conceive a project to the time they complete the physical construction and begin ongoing asset management. While the sequence may vary slightly, usually the development is broken up into the following elements:

- coming up with the idea
- refining it
- testing its feasibility
- negotiating contracts
- making a formal commitment
- constructing the project
- completing the project and finally
- managing the new project

Let's look at these in a little more detail. While the process varies from project to project, in essence these are the steps we follow at Metropole:

1. Pre Purchase

Here you look for a block of land with potential for development. At this stage you should already have your finance in place so that you know your limits.

You should also have a team of consultants organised who can advise you as to the project's viability.

These should include a development manager who can coordinate the whole process or individually, a solicitor, an architect, a surveyor, a town planner, an engineer and an estate agent to advise honestly on end values and marketability.

2. Concept stage

Once you find a potential site, you must now come up with a concept for it. What can you put on it? How many units? How big? What restrictions are there? Are there overlays, easements or covenants on the title?

To find out what can be built on the block you need to assess the local council's policy towards development and see how many new dwellings can be put on the block. This differs from council to council and even within the same municipality.

At Metropole we tend to have many of these documents in our office, but they are generally available over the internet at the local council's web site or in hard copy from their front desks. You also need to assess what the market wants in that particular area - what would sell or lease well. It is important to design and build a project that is marketable – the right size and the right type of dwelling for the demographic that wants to buy or lease in that locality. By the way, you can't usually build any style of dwelling. At Metropole we undertake a detailed analysis of the neighbourhood, as an important consideration of town planning is keeping the neighbourhood character. Finally we put pen to paper and do some sketches allowing for setbacks, driveways and private open space (as required by council and the planning scheme). We next place garages and parking spaces on the plan and leave sufficient room for turning circles to drive out in a forward motion as required by many councils. The land that is left over after all of this is accounted for will determine how many units and of what size can fit on the block. Next comes some number crunching in a feasibility program. We include time scales, all costs including consultants and construction costs, as well as the likely end sale values and the profit margin we look for. We then add a bit extra for contingencies, because there are always some unexpected costs. At Metropole we use Feastudy, Australia's industry standard property feasibility software. This enables us to calculate the residual land value – the most we could afford to pay for the land to make it a viable development project. If the project is viable we would then consider making an offer to purchase the land.

While there are always properties for sale that are advertised as potential development sites, currently we find very few make viable developments, as the vendor's asking price is too high. If you pay too much at the beginning, by not undertaking an accurate feasibility study, we find you are always chasing your tail trying to make the project work.

3. Purchase

At this stage you buy the land at a price that allows you to make a commercial profit. Of course we have already sought advice and decided in which type of entity we would buy the land to enable us to get the best asset protection and tax advantages.

4. Town planning / Development Approval

Our architect draws up plans that fit in with the planning regulations and accords with the local council's development guidelines. Due to the increasing complexity of the development process, a surveyor and town planner are often involved at this stage. It can take up to 8 months before we get a development approval (DA).

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5. Working Drawing and documentation

Once the DA has been achieved our architect and engineer document the working drawings to allow our clients to obtain a building permit (called a Construction Certificate (CC) in some states.) This stage can take 2 to 3 months.

6. Pre Construction

We now obtain quotes from builders and organise finance for the construction phase of the project.

7. Construction

Now we finally get on site to build our client's project, paying the builder progressively at the completion of each stage using draw downs from our bank loan. This stage can last 7-12 months depending on the size of the project. Many people think that construction is property development, but it is really just one of the stages. Construction is what a builder does; most developers are not builders. They are a bit like the producer of a movie. They come up with the concept and then orchestrate the entire project. Most developers never really get their hands dirty.

8. Completion

At this stage the plan of subdivision is completed and the project is refinanced and leased (the preferred option) or sold. While this is the last stage of the development process, we advise clients to begin with the end in mind – have an exit strategy right at the beginning of the project. The beautiful thing about property development is that once you learn and understand these stages you can pick and choose which steps you want to do and how much involvement you want. At Metropole we have clients who become what we call "armchair developers" and use our project management services to run the whole project for them – some even live in a different sate or overseas. Others don't complete the whole process, but on-sell their project with development approval and take their profit and start all over again. Others buy land with a Development Approval in place, fast tracking the whole process.

WHY DO ECONOMISTS GET THEIR PROPERTY MARKET PREDICTIONS SO WRONG? – BY MICHAEL YARDNEY

American economist Harry Dent spooked a lot of Australians recently when he predicted an economic tsunami that would take property prices back to levels we haven't seen for over a decade.

Others say our resources boom and housing shortage will ensure that property values keep doubling every decade.

So who's right?

It's easy to sound smart in a property boom – you know what they say: "A rising tide lifts all ships." But you have to be very careful who you listen to at this stage of the property cycle. There are some interesting challenges ahead. So if our economists are armed with all the research available in today's information age, why can't they agree on where are our property markets are heading? In fact a better question would be – why do so many get it wrong?

The simple answer is that market movements are far from an exact science.

The fundamentals are easy to monitor. Things like population growth, supply and demand, employment levels, interest rates, affordability and inflationary pressures. However one overriding factor that the experts have difficulty quantifying is investor sentiment. In a report earlier this year, Dr Shane Oliver, AMP's Chief Economist explained that people often suffer lapses of logic when investing and many of their investment decisions are driven by emotion.

For example we tend to extrapolate the present in the future. When things are booming we think the good times will never end and when the market mood is glum, we have difficulty seeing the light at the end of the tunnel.

Think about it…when the media reports falling property prices or an impending housing crash, many investors become scared and sit on the sidelines, believing the end of property is nigh and things will never improve, when in reality much of the risk has been removed from the market.

Conversely, when property markets are booming and stories of investors seemingly making large gains overnight abound, people want to jump on the bandwagon and cash in; often at a time when the market is near its peak.

Other emotional traps include becoming overconfident, wishful thinking and ignoring information that conflicts with your current views. In other words many investors create their own "reality."

Can you see how this type of activity, influenced by investor psychology, drives booms and busts? How the dominant investor mentality of the time helps drive the property cycle?

Simply, when investors put on the brakes, housing values tend to stagnate or fall due to lack of demand. And when they jump back into the market, demand rises and up go prices.

Obviously one or two misguided investors won't be able to influence property prices, but investor sentiment is contagious. People tend to want to do what others are doing - they 'follow the crowd' because going against popular opinion is seen as risky. What if you make a mistake? What if the others are right and you are wrong?

Oliver says this "collective behaviour" is magnified by several things including:

- Mass communication enabling the behaviour to become infectious. Now more than ever we are bombarded with messages from the media influencing how we think and feel about things. When we hear that real estate is doomed, all but a handful of sophisticated investors get scared out of the game. And when the media tells us housing markets are booming everyone wants a piece of the action.

- Pressure to conform. If your friends or family are doing it, it must be right. Right? Human nature makes us reluctant to do the opposite of what our peers are doing.

- A major precipitating event can give rise to a general belief that motivates investor behaviour. The Global Financial Crisis that saw waves of investors scared out of the markets. On the other hand the resource boom enticed thousands of investors into west coast housing markets to cash in on the resulting property boom.

- A general belief that grows and spreads. When the belief that property values can only go up spreads through an uneducated new generation of investors they enter the market pushing prices up even further, perpetuating the belief and helping make it a reality! Similarly when the crowd believes the market is going to crash, they steer clear, this gets reported in the media and the negative sentiment feeds on itself.

Oliver observes that these "lapses in logic" by individual investors and the magnification of such lapses by crowd psychology feeds property cycles, and goes a long way in explaining why we see booms and slumps at different points in time. When investor sentiment is positive, the crowd jumps in feet first, pushes up demand and places upward pressure on prices – causing boom conditions. Conversely when sentiment is negative, the crowd backs off and frequently sells out of the game due to concerns that they're about to lose everything – causing market slumps.

What can an investor learn from this?

1. Our property markets are not only driven by fundamentals, but also by the often irrational and erratic behaviour of an unstable crowd of other investors. While the long-term performance of property is influenced by the fundamentals, its short term performance is much more affected by market sentiment.

2. Booms never last forever, neither do busts. Don't be surprised when they come around and don't overreact. This will help you avoid being sucked into booms and spat out during busts.

3 Treat your property investments like a business and stick to a proven strategy to take the emotions out of your investment decisions.

4 Recognize that property is a long term play and set up financial buffers to help you ride the property cycles.

Invest counter cyclically.

Warren Buffet once said: "We attempt to be fearful when others are greedy and to be greedy only when others are fearful." This is also the investment strategy of many successful property investors. I've always been an advocate of counter-cyclical investing. I'm often sceptical of conventional wisdom - not because the crowd is always wrong but because the crowd is always late. Sure, it takes some courage to do the opposite of what everyone else is doing, but the results of your contrary behaviour will ultimately speak for themselves.

In the meantime, successful investors will take a big picture view, buy more well-located properties and see the value of their portfolio steadily increase.

CAPITAL GROWTH VERSUS CASHFLOW – BY KATE FORBES

When it comes to property investment you'll often hear two somewhat conflicting philosophies being bandied around, so a common question beginning investors ask is – which is better?

And can you get both?

Firstly there are the "Cash flow" followers: they suggest you should invest in property that has the capacity to generate high rental returns in an attempt to achieve positive cash flow. In other words, you want rental returns that are higher than your outgoings (including mortgage payments), leaving money in your pocket each month.

Then there's the "Capital Growth "crew. Their favoured strategy is to invest for capital growth over cashflow. In other words, you need to buy property that produces above average increases in value over the long term.

In Australia, properties with higher capital growth usually have lower rental returns. In many regional centres and secondary locations you could achieve a high rental return on your investment property but, in general, you would get poor long-term capital growth.

Clearly if both exist there is a place for both so to answer your specific question appropriately, I really need to know what you want to achieve.

You see…property investment should be part of a wealth creation strategy, not just a purchase in isolation.

Having said that there's no doubt in my mind that if I had to choose between cashflow and capital growth, I would invest for capital growth every time.

This is particularly true if you are considering property investment to build an asset base to one day replace your personal exertion income – your salary from your day job.

This means your aim is to grow a large asset base and then enjoy the cash flow your "cash machine" churns out.

The few dollars a week your positive cash flow properties might bring in immediately, is not really going to make much difference to your lifestyle or your ability to acquire and service other, more desirable properties for your portfolio is it?

You can't save your way to wealth – especially on the measly after tax positive cash flow you can get in today's property market. And in a rising interest rate environment as we are experiencing, a property that is cash flow positive today may be cash flow negative tomorrow.

It's important to understand that wealth from real estate is not derived from income, because residential properties are not high-yielding investments. Real wealth is achieved through long-term capital appreciation and the ability to refinance to buy further properties. If you seek a short term fix with cashflow positive properties, you'll struggle to grow a future cash machine from your property investments - it's just that simple.

But here' s the trick...

You can't turn a cash flow positive property into a high growth property, because of its geographical location. But you can achieve both high returns (cash flow) and capital growth by renovating or developing your high growth properties. This will bring you a higher rent and extra depreciation allowances, which converts high growth, relatively low cash flow properties into high growth, strong cash flow properties.

This means you can get the best of both worlds.

LAND BANKING - THE PROPERTY DEVELOPMENT STRATEGY OF THE PROS – BY BRYCE YARDNEY

How many times have you driven past a property and said to yourself, «If only I had bought that property when it was for sale five years ago?»

Who wouldn't have bought more properties 10 years ago if they knew they would have doubled in value, like many well located properties have done over the last decade?

Fast forward five years from now – would you like to own a property development site that cost you much less than its current price?

Well maybe you should consider Land Banking – a strategy used by many professional property developers.

How Does Land Banking Work?

Land Banking is simply the process of securing future development sites today, at the current price.

Many large property development companies buy Greenfield sites, farms or large tracts of land and put them in their "land bank" to ensure they have a sufficient stock of land for future developments. Over time they rezone the land, put in the necessary roads and infrastructure, undertake a subdivision and on-sell the individual lots.

While holding a bank or stockpile of land has helped many developers make big profits in a rising market, it has also been the downfall of a number prominent developers when property values slumped, or rising interest rates blew out holding costs.

Land banking is a great strategy for smaller developers too. It's an approach I've used successfully for the last few decades because I've learned to keep my holding costs to a minimum so they don't break the bank.

You see…I don't buy vacant blocks of land. I buy old houses close to their "use by date" on well located blocks of land, with development potential in top suburbs. While the rent I receive partially offsets my holding costs, I add value to my property by obtaining development approval and then over time, proceeding with the development.

Why is Land Banking a good investment strategy?

Many investors have made small fortunes by land banking because they are able to use a number of different property wealth accelerators that, when combined, generate substantial profits:

1. Land appreciates

– we all know that it's the land component of your property investment that appreciates, so buying a property close to its land value can be a smart strategy.

2. Adding Value

- by obtaining development approvals you can add substantial value to a property. Once you obtain a development approval for subdivision or for multiple dwellings, apartments or townhouses, you've taken out one element of the development risk - the council approval process. This makes your property more attractive to developers who may be prepared to pay a premium for it and gives you the option of selling for a profit, or refinancing your property and continuing with the development process.

3. Riding the property cycle

– I like securing potential development sites in a «soft" property market. At these times, completing a development may not be particularly lucrative, so I can buy these sites at a good price. As the market moves on, and it always does, the combination of a stronger market and owning a property with development approval in a prime position allows me to complete my development and make a substantial profit.

This strategy works particularly well in the inner and middle ring suburbs of our capital cities, where there is no vacant land for future development, but there is an increasing demand for new medium density developments from a whole new demographic of smaller households. This includes Gen Y's starting out in apartments, to DINKS (dual income no kids households); MINGLES (Middle Aged Singles) and Baby Boomers who are downsizing.

The combination of the current flat property market, a limited supply of potential development sites and the future demand for more medium density development make a perfect recipe for successful land banking.

What are the risks?

Whilst this strategy offers significant rewards, there are a host of traps for the unwary.

The biggest one is in relation to what type of development (if any) can fit on the property? There are some properties, in fact many properties, that even if in the right location, don't make good development sites.

At Metropole, we have a detailed checklist to assess properties for development potential. Once we understand the local council's development requirements, some of the things we look for when we assess a property's suitability for development include:

1. Size and dimensions

– how big is the site and are the dimensions (length x width) suitable for development? Is it a corner site that allows better subdivision potential?

2. Current dwelling?

What is on the land at present, can it be leased while obtaining development approvals? Will there be issues with demolition – e.g. heritage, asbestos?

3. Topography:

Is the site flat or does it slope? If so is the slope in the right direction for the natural fall of services (sewerage and drainage) or will pumping be required?

4. Significant trees or obstacles?

Are there any significant trees on the property or nature strip that will need to be retained and affect the development? Are there power poles on the footpath that may need to be moved to allow for crossovers?

5. Site Orientation:

Which way is the site facing? This has implications for planning (natural light), overshadowing and overlooking (privacy issues with neighbours).

6. Neighbourhood Character

– what type of properties are in the neighbourhood and how will this impact on the nature of the proposed development? Are there new developments in the street that could act as a precedent for the proposed development? What type of neighbours are you likely to have? Are they likely to object to a new development in their street?

7. Neighbouring properties

- what are their setbacks from the street (may affect the required setback of the new development) and what are their setbacks from your boundaries? Are they single or double storey? Do they have windows facing the proposed new development? All these could affect the size and positioning of your proposed development with regard to overshadowing or impacts on privacy.

8. Utilities:

What utilities are available?

- Water, electricity, phone and gas? Will they need upgrading? Are there any easements affecting the supply of utilities?

9. Site Accessibility:

Will it be easy to access the site for construction? This can be a problem in narrow inner suburban streets.

10. Title Checks:

We then look for the following on the certificate of title or in the online planning scheme:
a. Easements: Are there any easements on the site?
b. Covenants: Are there any covenants or restrictions in the title deed?
c. Development overlays- are there any flood overlays that affect building heights?

THE KEY TO SUCCESSFUL PROPERTY INVESTMENT – BY MICHAEL YARDNEY

This may seem obvious, but I have to start with it...in order to create long term wealth from property it is important to know the type of property that will be in continuous strong demand into the future.

While many investors think about what will be popular with tenants or the rent they are going to achieve, that's not what I look for in an investment.

To me a good investment property is one that will always be in strong demand by owner occupiers. After all, home buyers purchase around 70 per cent of all properties on the market and they're the ones that push up property values. On the other hand, the type of property that is more influenced by investor demand or tenants tends to be more illiquid and volatile in price.

Don't believe me? Try selling a property in an inner city high rise block, a mining town or student accommodation today and see if you find any buyers.

Whereas well located properties that are popular with owner occupiers are always in strong demand. Which means valuers are happy to put their stamp of approval on them and banks are prepared to lend against them.

This means understanding the needs of our changing markets will be fundamental to success when it comes to securing properties that will attract above average capital growth in the years ahead. One of the keys to this is to study demographics – that is the number and composition of our population and how we choose to live in our society.

Interestingly, Australian demographics are undergoing some radical changes at present.

With housing affordability becoming an increasing issue for many first home buyers and our lifestyle becoming a lot more hectic, we are seeing an increase in the popularity of medium density apartment living amongst the younger generations of Australians.

Rather than live in a house with a front and back yard, they're keen to live close to where the work and entertain and they're happy to swap the back yard for a balcony. Clearly this is very different from the way their parents chose to live.

The fact is, the property investor of the future will be catering for a whole new breed of tenant and buyer.

Think about it… Gen Y is on the move, as many from this 15 to 24 age group start to think about leaving the family home and starting their own life independent of mum and dad. In 2010, around 150,000 new households were created in Australia and approximately 65,000 of these comprised Gen Y singles, groups and couples.

Interestingly the majority of this younger demographic will be destined to live as tenants for quite some time, stuck on the rental roundabout due to ever increasing house prices and the cost of living, interest rate uncertainty and of course, annually rising rents. In fact many won't buy their first property until they're in their 30's.

As a result many choose to live in shared accommodation and multi-income households in order to reside in the locations they favour, but could never be able to afford as a homebuyer. These include inner ring suburbs close to our major CBD's where employment opportunities and a fast paced lifestyle with plenty of recreation and entertainment facilities are the primary attractions.

With the number of Gen Y's looking for accommodation continuing to rise, rental demand for near city and inner suburban apartments will grow significantly in the coming years.

And our old friend the supply and demand equation will ensure that rents for these types of properties keeps rising, as will their values due to scarcity and higher rental yields.

This means that today medium density properties - apartments and townhouses - make great investments and in general appreciate in value equally, if not more, than houses in our capital cities.

Of course this is in part due to affordability, as apartments offer a much more affordable alternative housing option than houses. But it's about much more than affordability.

Significant changes in our population profile and lifestyle priorities are creating a strong demand for apartment living. Today, our lifestyles are vastly different to those of our parents. We're working longer, we're increasingly time poor and we're starting families much later in life. This means proximity to work, transport, entertainment, cafes, shops and beaches is becoming more important than owning a piece of land.

In Australia's capital cities, apartments are continuing to improve in design and size and are generally closer to the CBD than affordable houses.

Of course there will always be a demand for houses with a front and back yard, particularly from families with more than one child, yet there is definitely a shift towards apartment living.

And it should be fairly obvious that this trend will continue in the long term...

People are getting married later in life and apartments suit their busy lifestyles; and when a baby comes along, they will often stay in their apartment or buy a bigger one in the same location.

And don't forget as baby boomers move into retirement they will also significantly increase the demand for townhouse and apartment living. Low maintenance, secure "lock and leave" living is a priority for these buyers.

According to a report last year from RP Data, (www.rpdata.com) capital city units and apartments only accounted for 25 per cent of all home sales fifteen years ago. Today though, medium and high density accommodation makes up around 35 per cent of all home sales.

Now that's an interesting trend, isn't it?

In our two most densely populated capital cities, RP Data found the proportion of unit sales is significantly larger. For the month of August 2010, Sydney and Melbourne unit sales were at 43 per cent and 37 per cent of all dwelling sales respectively.

So if you're looking for a great investment property you should seriously consider a well positioned, established apartments in smaller boutique blocks with value add potential through renovations. I'd look for a property with a "twist" - something special or an element of scarcity.

Then hold it as a long-term investment and reap the rewards.

INVEST LIKE WARREN BUFFET – BY MICHAEL YARDNEY

Warren Buffet is arguably the greatest investor of all time. He has a great track record of creating and maintaining his wealth through share investments, but many of his principles also apply to property investors. So let's look at some of Buffet's investment principles and see how we can apply them to our property investing.

Adhere to a proven strategy.

Buffet's success has often been put down to his extraordinary patience and discipline, never deviating from his proven investment strategy even when faced with short term changes in the market.

This is a great lesson for property investors, as most don't have a plan or adhere to a proven strategy. In fact they spend more time planning where they're going to holiday than they do planning their financial future.

If you don't have an investment strategy to keep you focused, how can you hope to develop financial independence? It's too easy to get distracted by all the «opportunities» that keep cropping up. Unfortunately many of these supposed opportunities don't work out as expected. Look at many of the investors who bought off the plan or in the next «hot spot», only to see the value of their properties underperform.

Invest counter cyclically.

Buffet is a renowned countercyclical investor, advising: "We attempt to be fearful when others are greedy and to be greedy only when others are fearful."

This is also the investment strategy of many successful property investors and has proven to be a winning formula for many who invested in property last year when many predicted that property prices would fall further. So be skeptical of conventional wisdom - not because the crowd is always wrong, but because the crowd is always late.

Sometimes it' s best to do nothing.

A great quote from Warren Buffett is "The trick is, when there is nothing to do - do nothing." Yet many investors get itchy feet and want to do more, put another deal together or buy another property. There are stages in the property cycle and times in your investment journey when it is best to sit back and wait for the right opportunities because wealth is the transfer of money from the impatient to the patient.

Specialise - don't diversify.

Buffet has adopted a focussed investment philosophy investing the bulk of his funds in a few companies. However, most advisers suggest diversifying. This is really just playing the game of investment not to lose, rather than playing the game to win and leads to average results. On the other hand, successful investors specialise. They become an expert in one area or niche and reproduce the same thing over and over again getting great results.

Invest for value.

Buffett is a value investor who says «It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price» and it's the same with property. You make your money when you buy your property but not by buying a bargain. You lock in your profits by buying the "right property" – one that will outperform the averages in the long term because of its scarcity or the potential to add value.

Of course in today's flat property market bargains abound. But they don't necessarily good long term investments. Rather than buy a cheap property buy the best property you can afford. Remember, the price you pay for a property isn't the same as the value you get. Successful investors know the difference.

Invest for the long term.

Buffett admits he can't predict which way the markets will move in the short term and he is quite certain no one else can either. So instead, he takes a long-term view of the market saying if you don't feel comfortable owning a stock for 10 years, you shouldn't own it for 10 minutes.

Similarly those investors who have created wealth out of property took a long-term view. This doesn't mean buy and forget - you should regularly reviewing your property portfolio.

When was the last time you checked to make sure you were getting the best rents or that your mortgage was appropriate for the current times? Maybe it's time to refinance against your increased equity and use the funds to buy further properties?

And sometimes it is appropriate to consider selling an underperforming property to enable you to buy a better investment.

Don't invest in anything you don't understand.

During the boom years investors' hunger for high returns took them into exotic terrain, whether they realized it or not. Promoters often promised large profits using opaque schemes, and the same has been happening in the last year or two from a new breed of property pretenders.

Warren Buffett never invests in anything he doesn't understand – nor should you.

Manage your risks.

Many investors don't fully understand the risks associated with property investment and therefore don't manage them correctly.

One common error is not having sufficient financial buffers to see them through from one property cycle to the next. Smart investors have financial buffers in their lines of credit or offset account to not only cover their negative gearing but to see them through the down times like we're currently experiencing and through times of increasing interest rates.

Savvy investors don't only buy properties; they but themselves time.

Another way smart investors minimize risk is to buy their properties in the correct ownership structures to legally minimise their tax and protect their assets.

A final lesson from the master is that bad times will come and go with surprising frequency over our investing lifetimes, but if we have a plan and stay focused on sound financial strategies, we can gain financial independence through prudent investing.

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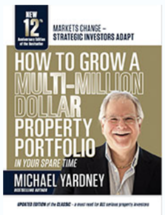

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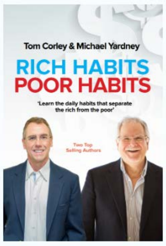

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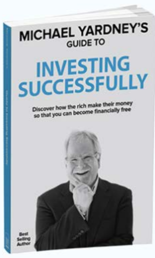

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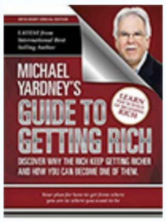

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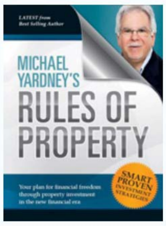

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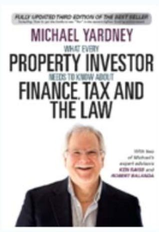

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