



How to Build Wealth Through Informed Residential Property Investment

The Capital**Edge** Approach

Jonathan Fordham B.Bus, Dip Prop

Second Edition – 2021

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Shiran Jowzy's Property Journey with Capital Edge



(Shiran Jowzy)

Shiran Jowzy is a Master Builder, specialist building adviser on the TV series “The Block” and “Renovation Rumble” for multiple seasons; and a Capital Edge client.

“As a builder for over 15 years I have always understood the power of investing in property. I commenced my career in 2000 when starting my carpentry apprenticeship.

From humble beginnings with small renovations and builds we now regularly work on full luxury home builds, kitchen and bathroom renovations and our specialty of working on renovations to existing homes often with heritage overlays.

We purchased our home and began investing further in property in Mentone and Parkdale. With the business expanding in 2010 we sold the Mentone property and in hindsight wish we hadn't!

In 2012 I was approached by one of the networks to work with the contestants as a specialist adviser on “The Block” and “Reno Rumble”. This culminated in working with the twins Alisa and Lysandra Fraser who won the series.

We had ideas of doing some small projects and developments ourselves to continue to build wealth. However, having seen firsthand what can go wrong with this approach from council delays, cost blow outs, loan delays and a variety of other market factors, we decided to keep doing what we knew best. Building for others. We also attended various presentations and seminars of the self titled property experts and it was apparent to us that most of these groups were only interested in selling us property that they held and needed to sell.

We met Jonathan from Capital Edge in 2015 and spoke to him about all of our goals and property aspirations. He worked with us on this and really targeted a solution to help us to continue to build wealth but with minimum effort from us which was the perfect solution with how busy our lives were with the business and 3 children.

What we love about Capital Edge is the fact they had nothing to sell us and there was no pressure. Jonathan listened to us and sourced a property through the open market in Mount Cotton, Queensland. We purchased this property in 2016 and with a great rent return in a market with a low vacancy rate, the holding costs have been minimal. This has resulted in great capital growth and tax benefits over the first 3 financial years. To achieve our goals with our portfolio, we are looking for our next purchase with them.

Capital Edge not only helped with the selection of the right property for us, they were also there throughout the whole building, handover and renting process. They are a professional organisation who like us focus on their client's needs. We wouldn't hesitate to recommend them.”



(Shiran with winning “Block” contestants Alisa and Lysandra)



Jonathan Fordham B.Bus, Dip Prop

For Madison and Skye

This is a book for property people by property people. We are a research based company that identify optimum market pricing opportunities to get the best results for our clients based on their goals, situation and requirements.

If you have ever considered property as a vehicle for creating wealth but haven't been quite sure of where to start, then this is the book for you.

Part 1. Background

1. About the Author

Jonathan is a fully licensed Real Estate Agent who has never used his license to sell property! (*)

I have two young daughters and live in Mentone in Bayside Melbourne. Prior to starting my family, I lived in Perth and Brisbane, following my passion in growing a property business.

In 2005 I moved out of a corporate role at a multi-national company and invested in our family property management business. We then lived and worked across Australia, focused solely on residential property management for over 10 years.

Throughout that time, I interacted with thousands of tenants, and investors, plus dozens of builders and property developers. I achieved growth organically by partnering with property investment service companies (like Capital Edge) and scaling our operation across 4 states and 7 offices with thousands of properties under management.

In 2016, my share in the busy and time consuming property management business was sold to focus on Capital Edge.

While on this work journey I built a personal real estate portfolio and owned property across three states. I currently have 6 investment properties as well as my home. I am proud to partner with a select group of clients who Capital Edge mentors for the long term.

My enthusiasm for this industry both personally and professionally means I am continually researching and learning more within the property sectors and markets across Australia whilst using my strict selection process to identify future locations with the highest anticipated property growth across selected measures.

() Jonathan has acted as a property manager, not as a traditional Real Estate sales agent.*

How is Capital Edge qualified?

Both education and experience play a factor in the ability to run Capital Edge with confidence. Jonathan is a fully licensed Real Estate Agent with a Diploma of Property; as well as having a Bachelor of Business qualification.

Through over a decade of partnerships established with builders and marketing groups, Jonathan had the opportunity to see what type of finished property and service levels are provided to a very broad cross section of clients. He gained insights into the experiences had by landlords and tenants while working as a property manager as well within the business across Australia.

Why is this important? The answer is twofold. First, this experience provided a unique insight into how clients are to be treated at Capital Edge.

Second, across thousands of properties leased Jonathan gained firsthand experience in how the market operates after you have made a property purchase.

Capital Edge only works with a select group of builders who are evaluated every time a client is considering the purchase of a property. Getting the property rented to good tenants so your costs are covered while you hold the property is a huge part of the process.



<https://www.linkedin.com/in/jonofordham/>

2. My Journey – Lessons Learnt

Over the past decade, many lessons were learnt. Mistakes made in property can be boiled down to one key point – not following what is now the Capital Edge tried and tested process.

Jonathan always provides knowledge to his clients through the lessons he learnt with his past experiences; when he has tried to outsmart the market, or do something he has little knowledge of.

Lesson 1 – Buying vacant land

Jonathan purchased a speculative premium waterfront block with deep water access at Hope Island, Queensland, north of the Gold Coast. This took place at the time his wife was about to go on maternity leave and the family would be earning just one income. The cost of holding this property without any rental income (no one wants to rent a vacant block of land!) would have compared to the holding cost of multiple house investments. At the same time the world went into the Global Financial Crisis and property values decreased in many high-end areas across Australia. During the same period, the national median property price remained stable. A loss made and a lesson learned!

Lesson 2 – Buying overseas property

The second untried idea was to invest in a property in a resort under construction in Vanuatu. The dream was solid, and the projected figures seemed too good to be true. When a cyclone came through in 2015 and wiped out the existing development this put the developer behind, and money was lost.

Lesson 3 – Buying over capitalised property

Another investment error Jonathan almost made was when purchasing his current home in Mentone in South East Melbourne. He contemplated turning the previous home, a fully appointed townhouse also in Mentone, into an investment property. The holding costs of doing this would have been the opposite to what he teaches – to buy and hold properties which minimise out of pocket costs as well as achieving capital growth.

A home which has been set up with additional features to suit owner occupiers is not generally a smart idea as an investment when considering maintenance costs and the total amount invested. Having a prestige town house as an investment property would have at the time amounted to over \$300 per week in holding costs for servicing the loan. Thankfully Jonathan came to his senses, sold this property and purchased a house and land

package interstate. Jonathan identified this location as offering a much lower investment cost, having lower out of pocket expenses of less than \$50 per week and with greater long term potential for growth.

What Jonathan did right whilst making these mistakes was to continue to learn and invest in property. His focus was back on the proven residential block with a new dwelling on it.

Lesson 4 – Never Underestimate Build Quality

Many property sales companies teach that the property itself doesn't matter, as investing is all about location, capital growth and the long-term. With

either his investor or property manager hat on, this is an opinion Jonathan disagrees with.

It is well known that over the long-term, as an asset, land appreciates, and houses depreciate. The property part of the equation is important in having a good quality, well built house from the start. This attracts quality tenants and minimises the risk of the property remaining vacant.

The quality of the build makes a significant difference when it comes to competing for tenants against other rental properties. A quality build means you will have lower maintenance costs and less time taken dealing with issues which may arise from use of lower quality materials or poor workmanship.

CapitalEdge Client Story:

This has happened with even close family members who have chosen to learn their lessons the hard way – a sibling of ours bought an investment property and found out just how much time and effort needs to go into the after-handover installation of landscaping. While the price on the contract looked excessive to these investors and the statement was made “we can do this cheaper ourselves”, the time taken in sourcing a landscaping solution while paying a full mortgage, plus the payment of costs outside of the mortgage, ended up being very close to the cost on the build contract. The relatives had to wait to tenant the property and earn income as well. The feedback was overwhelmingly in favour of using a complete contract for any future investment.

Not using a proven approach for selecting the right property at the start leads to more costs later. (Sometimes sooner than you think!) This applies to both new and existing properties. It is a misconceived investment strategy to save money up front by not including features such as air conditioning or an alfresco area, only finding out later all quality tenants require this.

With a new build, adding extra features to your property after completion is rarely included in your finance, so comes at a far higher cost than if in the original plan. Cutting parts off the contract to do it yourself, such as landscaping or paving or paint work or carpet, inevitably creates more hassles than any anticipated initial savings. We have seen this happen with investors and heard them regret the perceived savings and the unnecessary cost, time and stress.

This is where the Capital Edge property selection process comes in. Along with the location of the property, we apply a rigorous approach to ensuring a high-quality finish. A new build sourced property includes all details within the contract commonly not included in the low package prices shown on the highway billboards near new estates.

The enticement to “live here from*” contains a mighty expensive asterix. With Capital Edge all specifications will be covered so a tenant can move straight in, from major items such as landscaping and premium floor covering, right down to the letterbox. We maintain relationships with builders to ensure our client's interests are protected with a fixed price contract.

Lesson 5 – Property Management Experience

I have been directly involved in managing in excess of 2500 properties at one time across Western Australia, Queensland, Victoria and New South Wales. With over 50 property managers and staff and 7 office locations, I have seen it all, both from a property management and investment perspective.

Occasionally new investors have concerns about the day-to-day issues of owning a property. These include all aspects of housing tenants and having a property managed so it is hassle free. When reflecting on the key to having your property performing as an optimum investment with minimal disruptions, the selection process for tenants is paramount.

When working as a Property Manager and now with the managing agents of my own portfolio, I see the treatment of tenants with respect and an attitude of “give and take” as important. Selecting a tenant is like recruiting a long-term employee. Good tenants will be loyal, will look after the property and never go into arrears.

I am always available to our investors as a professional third party (a sounding board) to discuss any property matters even long after the initial purchase has been made.

I realised that in order to be successful that you need to have three key foundation stones in place:

- Goals and a clearly defined destination
- Process and a structured approach
- Mentor – expertise and support

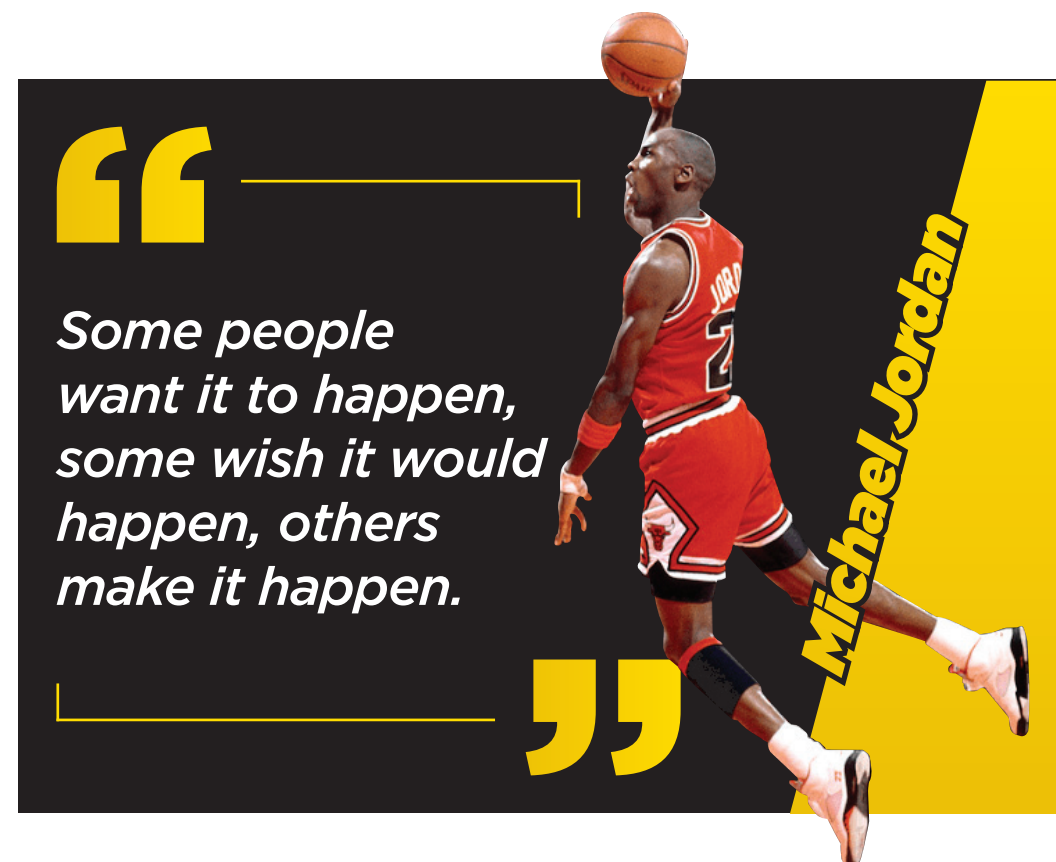
These are the three key areas where we can add value within the process Capital Edge follows.

3. Capital Edge Starts

The Best Mentors – People who Have actually Done What They are Recommending.

Jonathan has a genuine love of property and the desire to help people achieve their property dreams. It is amazing how many real-estate agents, brokers and consultants that present themselves as property experts are not in fact buying and holding investment properties themselves.

The first credential to look for is someone who is actually doing what they are advising you to do. At Capital Edge Jonathan is certainly putting his money where his mouth is and using property to create wealth. He openly



shares his portfolio and its structure to show what can be achieved in a relatively short period of time with goals, a proven process and a plan.

As with all professions you need good advice. Capital Edge encourages you to build relationships with professionals relevant to your situation such as a highly competent property-educated accountant, lawyer, financial planner and mortgage broker.

What Jonathan doesn't do

To start: Jonathan knows a LOT about property! As a self-confessed property-geek, when you do meet and ask questions you will see the spark in his eyes as he shares his property knowledge, opinions and experience.

There are lots of options in the investment market for where you can invest your hard-earned money. Jonathan is very clear that he doesn't know other investment categories in depth.

Additionally, he doesn't provide the services or advice of a Financial Planner, Accountant or Share Broker. When considering investing in any of these categories he also seeks the advice of qualified and experienced professionals.

What he does know is that property works for him. A journey of working in the industry, following the Australian property market and now assisting people to invest in residential property, has proven property to be an effective vehicle for building wealth for people from all walks of life.

Capital Edge is not in the business of undertaking financial planning, writing loans, selling entire property development projects or other categories of investment. Jonathan is in the business of understanding clients and finding the best residential property investment that meets their needs.

Part 2. The Plan: Tailoring Property for Clients

4. Who Are Our Clients?

Question: Who is the typical Capital Edge investment property owner?

Answer: People of all backgrounds with a desire to create wealth through property



Pics: main - initial slab poured; inset - completed house

At Capital Edge we love to work with people from all walks of life and our golden rule is that there will be no wasted conversation with us. If a person is interested in knowing more about investment properties, then we want to have a meeting with them!

Some categories of people Capital Edge has worked with are:

- Tradespeople – work hard as subcontractors or sole traders and are time poor and have very little super
- Builders who want to do their own – buy-renovate-sell but are too busy to do it themselves
- Parents with a young family – paying off their own home and starting to build wealth for the future
- Couples or singles approaching retirement – looking to diversify beyond standard superannuation planning
- Singles – people without many assets who are wanting to invest now for a more reliable, sustainable income.
- Small business owners – with very little super or savings for retirement and challenges with borrowing for investment
- Siblings – like minded family members investing together
- Couples without a deposit – looking for advice on how to get started in property investment
- Empty nesters – wanting to downsize the family home and convert part of their excess equity to produce income
- Established individuals – singles, couples or families that have set themselves up well financially with good income and significant equity and want to consolidate their position by reducing tax and increasing wealth through further investments.

Common aspirations of our clients include:

- Great lifestyle
- Financial security
- Reduce tax whilst growing financial assets
- Not relying on the pension or superannuation

When reviewing client feedback, fears about investing can include:

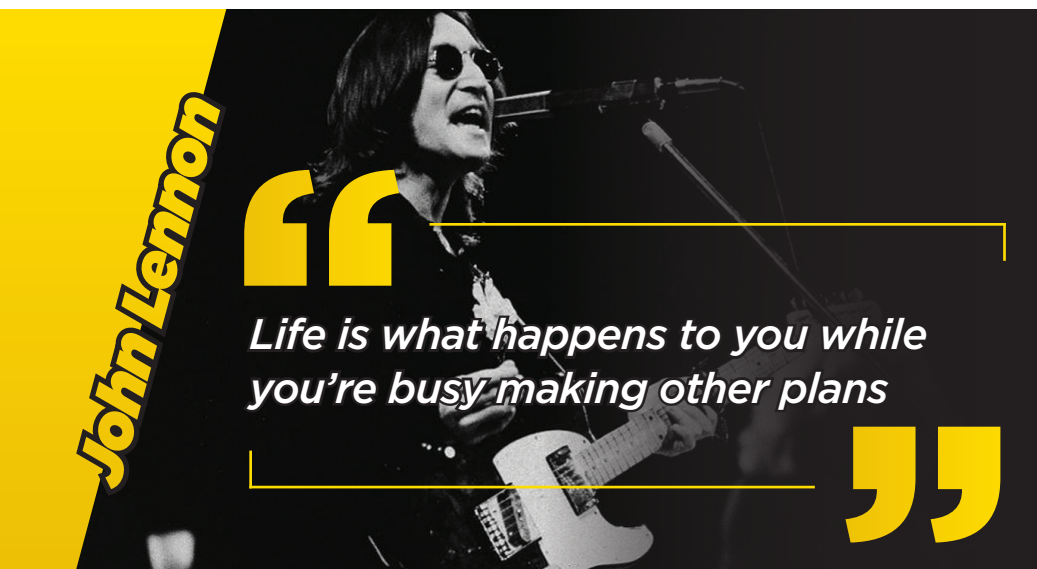
- Being taken advantage of by property spruikers and project marketers
- Buying a property which does not meet their goals
- Making the wrong decision
- Incurring a loss of equity
- Making an ill-informed decision

While following the property market is often referred to as an Australian pastime, generally as a group we actually don't commit to owning property other than our own home. Currently, the number is less than 1.3 million people across Australia owning an investment property.

Think about the last time you were at a gathering of friends and family. At some point the conversation may have turned to property. Who has bought or sold? Who has decided to renovate? Who is locked out of the market due to the affordability crisis? What did the house down the road sell for last weekend? What is the property market doing right now in a specific location? It seems everyone has an opinion.

Less than 15% of these investors buy more than one property. Statistics and history also show it is highly unlikely that one property will make you wealthy. So why is there such a big gap, when everybody seems so interested?

Part of the reason is people disqualifying themselves from the process. There are numerous reasons to buy an investment in any class and there are pros and cons to each type of investment.



CapitalEdge Client Story:

Matt & Kylie are both Police officers and have a highly regulated income with few deductions available to them. They have a young family and live in a 30 year old home on the Mornington Peninsula. When they met with Capital Edge, they had recently purchased this property. They also dreamed of owning an investment which affords them some deductions from their taxable income. After looking into their financials and completing a borrowing exercise it was discovered that their property would be far more valuable if they invested some funds into improving their own home first. This then provided a springboard into their first investment property purchase, while also enjoying living in their dream home.

How do you decide who to trust?

Ask yourself the question: who is putting my interests first? The general approach of a property sales company is to sell the properties they have available on their books. This is a one-size-fits-all approach.

Alternatively, Capital Edge have designed a process to find a property tailored to the specific needs of the investor.

There are three key reasons why clients work with Capital Edge:

1. Proven process: our structured approach to identifying the right property for each individual investor.
2. Cost: we never charge clients for our services or expertise. It is always obligation free. We often save our clients money when compared to doing it themselves.
3. Walk the talk: we personally hold an investment property portfolio. We benefit our clients by sharing our personal experience in the selection, purchase and holding of each property.

As with appointing an accountant to do your tax, or an electrician to fix your house wiring, you entrust Capital Edge to source an investment property right for you, leaving you with time to concentrate on your work, family and lifestyle.



5. Taking Control – Goals and Destination

Everyone it seems has an opinion on property and on the many factors around investing in them; whether you need a property positively or negatively geared, should we build new or buy existing, do we invest in commercial or residential property?

It is easy to become overwhelmed with the amount of conflicting information available. This is compounded with property sales companies out there pushing their own agendas and property inventories.

The key to working with Capital Edge is that we work in with you. Your goals, your preferences and your time frames are all taken into account.

Your goals:

When did you last spend time concentrating on your long-term goals? We encourage you to set aside dedicated time to think about your “why”. What is the main motivation for why you want to buy a property, or even why you go to work every day? What do you want to achieve by buying one or more investment properties?

If you don’t have a goal you are trying to achieve or a reason for why you work so hard, it is easy to make excuses and get caught up in your busy day-to-day life.

“

*If you do what you’ve always done,
you’ll get what you’ve always got.*

”

Your preferences:

Everyone has their own opinions and prejudices regarding property. Real Estate is such a personal topic and until we understand more about you and

your individual experiences, we don’t have the faintest idea of what type of property will meet your needs.

If there is any specific idea you have or a goal you are working towards then we can ensure that this is front of mind when assisting you in the choice of suitable investment property. We start with your goal and not our inventory of available property. We are very proud of our agility within the property market and with the ability we have to research and identify suitable property across many geographic markets and property types.

Your time frames:

This is a deeply personal topic and something we can’t understand until we spend time with you and ascertain your circumstances and preferences. Capital Edge will discuss your current position and will explore how factors such as your life stage, risk profile, borrowing capacity, the age of partners and dependants, and forecast retirement goals fit in with your goals and aspirations. (We are not providing financial planning advice but helping you to identify your priorities.)

Considering all your specific circumstances, the starting point is not buying a property. Instead it is gaining a specific understanding of what you are seeking to achieve through the purchase of one or more properties. The big decision is to commit to taking informed action, and the most important step in this process is beginning your learning journey.

Our property selection process ensures you have clarity about your goals and aspirations. You also have access to a different approach to acquiring property which is client centric and not product driven (i.e. limited to properties within a specific development). We encourage you to ask a lot of questions and take interest in the property industry with a view to your own situation. Very quickly you will start to develop a keen understanding of what you are seeking to achieve and what your desired outcome is. All of this helps guide us in how you prefer to pace your investment journey.

Clarity brings with it certainty on where you want to go, and this means you will be well on the right path to success.

Don't rule yourself out as a potential property investor

We work with clients according to their own time frames. Some clients we work with have been surprised by the solutions which enable them to purchase an investment property far more quickly than they first thought. Other clients have had a couple of years between our first meeting and the selection and purchase of an investment property.

If you are serious about reaching your goals through owning property, then a meeting with Capital Edge may just be the most valuable hour you spend on your future this year. We don't pre-qualify people or refuse to meet with you if you don't currently have a pre-approval to borrow large sums of cash. We take a long-term, solutions based view of building relationships. We see ourselves as being boutique and not as a volume producer of property sales.

Checklist

It seems to be a good time here to check in with you to establish your motivation for wanting to consider an investment property.

The **reasons** we have decided to invest in property are: -

- ☐ To build personal wealth and improve future lifestyle
- ☐ To be self-sufficient in retirement and not be reliant on the pension or welfare
- ☐ Because property is an interest or passion
- ☐ Want to achieve taxation benefits through negative gearing
- ☐ To have 'financial peace-of-mind'
- ☐ To be able to pass assets down to the next generation
- ☐ To help children and grandchildren financially
- ☐ To have passive income in the future
- ☐ To hold multiple properties and diversify investments

Having completed this Checklist, if you have ticked more than 3 boxes then property as an investment is clearly important to you. Give Jonathan a call for an obligation free discussion on 1300 976 030.

6. Overcoming a Million Reasons Not to Buy

Over the time that Capital Edge has been in this industry we've heard all the reasons not to invest in property. All the logical and not so rational objections, the rebuttals, and the doomsday theories; and we totally understand the reasons behind them.

A common phrase we hear at Capital Edge is "we need to get an investment property but...". In our many conversations with clients about investing in property, there have been so many varied excuses for why they might not be ready.

I've been there myself. More than once. I have also been fortunate to have surrounded myself with mentors, backed myself, and used a structured process.

In this chapter we look in more detail at some of the common reasons, and why they don't have to be yours!

Saving Your Way to Wealth

Some people think they can save their way to wealth. Putting away a few dollars a week or even \$200 per week (which equates to savings of \$10,000 per year). This is laborious and also one of the slowest ways to reach an independent financial position.

A few thousand dollars in savings can also quickly get eaten up when the unexpected arrives such as needing to spend money on expenses such as car repairs, health expenses or a holiday. Unless you are earning mega-bucks and can save enormous amounts then just saving is not going to get you beyond modest goals.

The converse is to get rich quick via gambling – many people enjoy a flutter in one way or another; dreaming of how to spend their lotto fortune, putting a few dollars in a pokie machine or using their skills to pick a winner.

At Capital Edge we are yet to meet anyone who has consistently built wealth doing any of those activities and in general the opposite is true.

Getting stuck overthinking it - Analysis Paralysis

There are so many ways to be educated in property investment these days. There are countless books, websites, webinars and seminars available for consideration. More are being produced every day. You're actually reading one right now!

There is a group of prospective investors who get stuck right into the research – they read all the books, go to all the seminars and subscribe to

the online newsletters for latest market updates. Then? Nothing. They are waiting for the next insight – always one book or seminar away from taking action.

This category of people do lots of research, however they generally get stuck at one of three roadblocks:

1. All the things which can go wrong
2. Waiting for the ideal time to buy
3. Choosing the perfect property

Roadblock 1: All the things that can go wrong

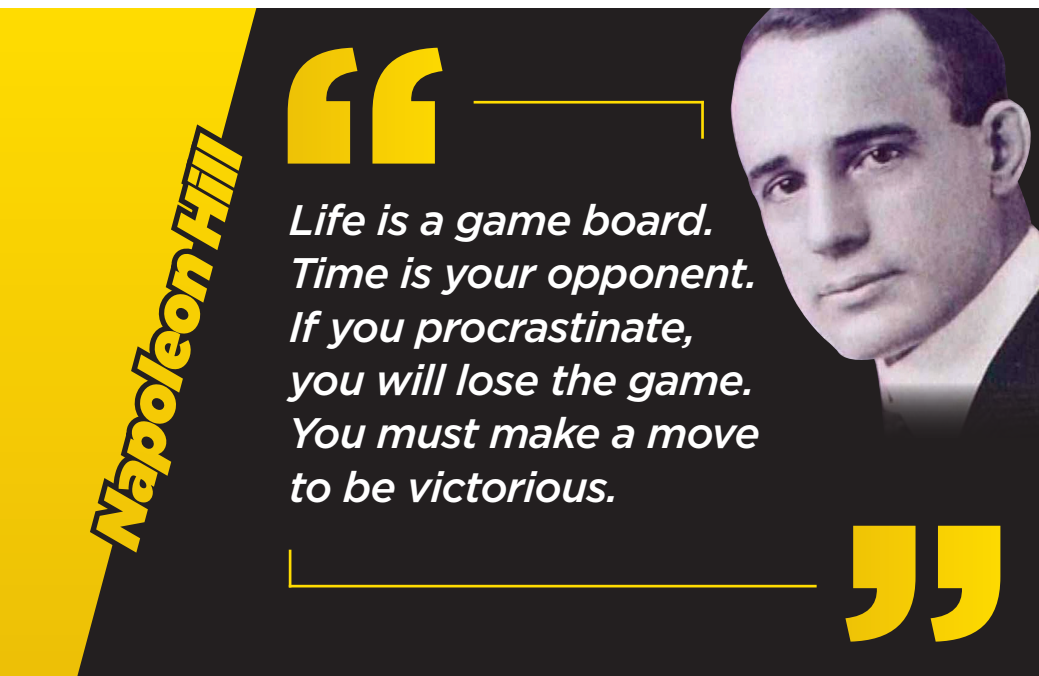
This approach by prospective investors does not focus on the benefits of investing, it focuses on what may go wrong. Here are some typical questions we are asked;

What if the tenant damages my house?

As Property Managers for over 10 years, we had the opportunity to measure across a large sample size just how infrequently a tenancy ends in an eviction, or with a house being left badly damaged. Of the worst examples we saw in this time, the claims which exceed \$10,000 accounted for less than 0.10% of tenancies we managed. Additionally, if we estimate the value of an average property at \$500,000 and calculate the risk (\$10,000) against that value, the risk equals 2% of total investment value.

This is an out of pocket expense which affects cash flow (rent) but not the underlying value of the property (capital). It highlights the need to have a thorough process for tenant selection. This is also a category of investment where insurance will cover most losses.

Unlike other commonly held investments, landlord insurance covers the relatively small risk of holding an asset; e.g. including lost rent and any costs to repair damage done by the tenants. Building insurance protects the property itself. Property Managers and their regular inspections identify and report any issues that will potentially impact your investment.



What if I lose my job?

Job security is a factor and should be considered very carefully when looking at any investment class, especially those that involve borrowing. The question we ask clients who have this as a general and not a specific fear would be this: would you be better off with no job and an asset which largely pays for itself or unemployed and nothing behind you?

In cases of financial hardship, banks and lenders will generally be considerate and will provide options to ensure you do not default. Capital Edge can also source a property for you which is positively geared meaning that you will have cash in your pocket at the end of each financial year.

What if the property market crashes?

The Australian property market is very well monitored. Like all investment classes, it has cycles of growing, falling or stagnating.

A successful property investor ensures that any risk taken by purchasing a property is minimised by having a strong set of numbers and research in hand before making any commitment.

Capital Edge avoids areas that are over reliant on a single industry, are remote or where there is an excessive percentage of renters. We don't select individual properties priced well below or above the median house price for that area. With our process, we have assisted many clients in purchasing low risk long term investments which have anticipated capital gains. In addition, we focus on cash flow with a good rent return being essential to make the property affordable to hold. We primarily select brand new builds for the added benefit of tax deductions.

Rather than trying to time the market for a low point to buy or a high point to sell, we employ our experience and property selection process to identify the clearest path in acting in accordance with what suits the investor's specific situation.

The story of the hare and the tortoise can be referenced here; people chasing fast growth or trying to time the market, can get caught up in slick sales

campaigns or fail to do their own due diligence. They may buy a property which is overpriced or not suitable for their individual situation.

The investors who make a carefully considered purchase and commit for the long term, will see gains and have less turbulence on their property journey.



The decisions we make in this moment are based in love or fear. Many of us choose our path out of fear disguised as practicality. What we really want seems impossibly out of reach and ridiculous to expect it. So we never dare to ask the Universe for it. If you can fail at what you don't want, you might as well take a chance on doing what you love.

What if the government or bank changes the rules?

Some investors understandably have caution when thinking of the impact a change of legislation or changing bank rules and regulations can mean for

holding a property portfolio. (The results of the May 2019 federal election have removed the prospect of negative gearing ceasing for the foreseeable future.)

Every investment carries risk and there are always factors which are beyond the control of any individual investor. A person who chooses to leverage their hard earned money into a property portfolio would be foolish if they did not look around at the current regulation on what is likely to impact their situation.

There is also the consideration for when a law or a banking or lending rule is changed. This rarely applies retrospectively to existing investments. This means that if you have a property in your portfolio and the government makes changes – as they recently did with tax depreciation on existing property – you will most likely be able to access the old rules for property already owned.

Change is inevitable as our governments are working on keeping our society functioning as best it can to benefit and protect the majority of our

Justin Grainger

“

I would rather regret something which didn't work out as well as I thought instead of regretting something, I didn't do which worked out great.

This quote was provided by a Capital Edge client and we loved it!

”

population. Banks are in the business of lending money to make returns for their shareholders. At Capital Edge we don't spend a lot of time worrying about what is in the media on these topics.

A lot of people have a lot to say about each of these categories and rather than get drawn into the vortex of opinions we focus instead on working with motivated investors who will be able to adapt to any changes which do eventuate.

Roadblock 2: The ideal time to buy

Question: When was the best time to invest in property?

Answer: Yesterday! (Provided you have established your goals and have done your analysis.)

Have a plan and take action – if you have purchased a property and experience buyer's remorse, there are a number of solutions available to you. At least as a starting point though – you own a property! Despite the objections, dilemmas and fears people experience around a big purchase like property, one of the biggest risks we have observed is REGRET.

This is where clients who were close to making a purchase change their minds, then watch their “could have been” property identified by Capital Edge increase in value significantly in the next 12 months.

As we know, prices can go down too; this is why we have the Capital Edge property selection process to minimise potential risk.

Fear of the unknown is real, and it is our goal to ensure we hear any concerns throughout the process and provide enough information so you can rest easy. This enables you to benefit from our personal experience.

Roadblock 3: Choosing the Perfect Property

What if I buy in the wrong area?

There are over 9 million private dwellings in Australia at present, with over 200,000 new homes built each year to keep up with demand and population growth. This is a LOT of options for you to choose from when considering an investment property!

Buying in the right area depends on a number of unique factors including what you are trying to achieve and in what time frame. This is where proper analysis and looking at all the key growth drivers comes in.

We assist clients to understand the facts – the numbers which matter in selecting a property. There are many moving parts to any property investment and our primary goal at Capital Edge is minimising the risk in as many of these factors as possible.

Applying our in-house research and analysis has at times resulted in Capital Edge recommending to clients that they not invest in specific locations they preferred. Falling in love with an area can lead to overlooking the necessary criteria for assessing its investment value.

The Rest of The Reasons

We sometimes hear concerns as to why the time isn't right to buy a property. People can be influenced by the media and worry about the economy, property cycles and the market, but there are a host of other reasons people delay.

We come across people not wanting to invest because they are about to go on a holiday, are changing jobs, buying a car or motor bike, wanting to do extensions on the family home, are about to get engaged or married, are about to have a child, etc. We often find that the actual objection or excuse people have for not acting now is actually the exact reason why they should be considering an investment property.

If you are considering buying a property and are comfortable with the process and property selected for you then don't let fear stop you. If the bank is prepared to lend you money now, you've done your due diligence, and everything adds up, then take the leap and grab the property whilst you can.

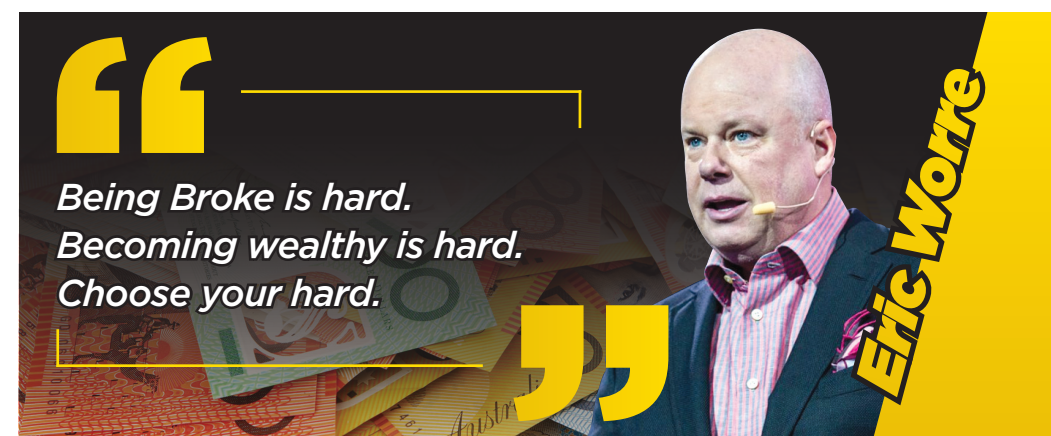
If you purchase an investment that is growing and making you money each year, which is what Capital Edge aims for, then you are better off even if any of the above concerns take place.

Hard vs Hard!

The old saying goes that being wealthy is hard and being poor is hard – so you need to choose your hard. At Capital Edge, we like to make any challenging part of owning an investment property as easy as possible.

If creating wealth was easy, everyone would do it! Owning an investment property isn't for everybody. As a property owner and landlord, you deal with tenants, real estate agents, solicitors or conveyancers, tradespeople, insurance companies, banks, accountants and councils. This is quite daunting. We minimise stress by supporting you every step of the way.

Partnering with a company like Capital Edge and having a good property team around you goes a long way to ensuring your property journey is a relatively stress free one.



7. An Alternative Approach

Over the last decade, we have seen many property sales companies, project marketers and property marketers out there all doing and saying the same things. The standard practice is for these companies to have some sort of property option they want to sell. They start the process creating an investment opportunity. This might be a block of units or apartments in or close to a CBD or high density area, a group of side by side townhouses or 50 residential blocks grouped in a suburb where they have acquired land.

Their marketing sells the benefits of buying an investment property. This approach provides all the correct information as to the benefits of investing in property. However, once the client is convinced to invest with them, they simply roll out the existing properties already available and will then push this as the next best thing.

The disadvantage for prospective investors is that these companies are project managers or property marketers. They are convincing clients to purchase from their project; telling all types of clients that this current opportunity is the best (and by default, only) option for them. This ignores the clients' personal requirements, financial position and goals. It is a "one property fits all" approach.

Clearly an investment which suits a young single person on a medium income compared to a family with 2 incomes and small children, or an older couple where children have left home, is going to be significantly different. A person's age, salary, tax position, risk profile, lifestyle goals, current assets and debts, all affect the best property investment decision. So, if someone first presents you with a property before understanding this and more, we urge extreme caution.

At Capital Edge, we have completely revolutionised this process and flipped it – to the way it should be. When we first meet with clients, we have nothing to sell them. How can we advise a client on what is the best class and type of residential property to invest in until we understand their goals and current

situation? The fact we have nothing to sell and no stock could lead you to conclude that we are "the worst property sales business ever!"

It is exactly this point that our clients love. Not only do they feel relaxed with the absence of pressure at the first meeting but also the fact that we want to understand them, their goals, and their wealth creation dreams. There is no sales pitch, and no pre-prepared contracts.

The safety net of a finance clause

Another important aspect of dealing with Capital Edge is that we strongly recommend a finance clause be included on any purchase. This means any deposits paid are secured in a solicitor's trust account and are fully refundable if the sale doesn't proceed.

The purchase will ideally include a finance clause and be dependent on a bank valuation and bank finance approval. This provides the peace of mind that you are buying a property at market value (and it meets the stringent requirements of lenders).

Research for informed property selection

The other thing we love at Capital Edge is research. We do this for all clients with their specific circumstances front of mind. We identify the best locations as well as seeking the right balance between rent return and capital growth.

We invest time and leverage our expertise to get the best outcome. This includes analysis on a range of metrics including supply and demand in the area targeted, as well as median house price, vacancy rates, percentage of owner/occupiers, criteria for local premium properties, as well as the demographics of the area and any major projects or facilities available. We take you through our process in more detail when you meet with us.

Part 3: The Process: Your Property Success Formula

8. The Capital Edge Process

The First Meeting

When you decide to take the first step to owning an investment property, a meeting with Capital Edge is well worth an hour of your time. At this free appointment, you are under no obligation – our focus is on assisting you to identify your property goals and answer any questions you have – either in general or after reading this.

We have clients we have worked with over several years. Our goal is not to sell an investment property and move on. We seek to gain an understanding

Grenville Kleiser

“

By the time you learn the rules of life, you're too old to play the game.

”



of your situation and partner with you over a number of years as you first plan, then purchase and hold, then eventually sell, or continue to build an investment property portfolio.

Some of our clients have specific goals where we act as a resource to keep them on track and to check in on progress at certain points in their journey. Other clients come to us “without a clue” (their words) but with a sense of anxiety around their financial future and how to turn their hard work each week into something tangible which earns a passive income.

You need to enjoy the journey as well as ending up where you want to be.

Capital Edge are here to help. We view your situation with fresh eyes and workshop all the available possibilities. Our experience benefits you through our networks of all sorts of contacts which can provide specific assistance.

The idea of partnering with any professional service is to work with someone you trust and who adds value to your situation. We provide this in an accessible way, so you have a reference point of people who speak in plain English and work through any queries you have at any stage in the process.

Our objective is to build a community of trusted relationships to benefit our clients.

Capital Edge Difference

Once the first meeting has occurred, it is over to you. We have a framework in place for all the important investment decision factors; what, when, approximately where and some idea of how much. We then set to work in researching on your behalf the specific path forward from here.

The Capital Edge approach is to look at where you are now and where you want to be in the future. We provide a proposed map and a clear direction along our proven (and perhaps just a little conservative) path to your desired destination.

Where do we buy?

The answer to this question is as varied as our clients themselves!

Capital Edge has a panel of up to 50 builders and agents across Australia's key real estate markets and most of these we have worked with for over a decade.

By flipping the traditional model of selling project based properties, Capital Edge does not look for property until well into the process. We go to market once we have established your goals and borrowing capacity and level of risk, along with a number of other key factors.

Our research model uses metrics to best determine the specific market niches which will have the best chance of helping you to reach your goals.

So, the answer is: anywhere our client's goals can be achieved.



What do we buy?

We often get asked about the pros and cons for buying an established (old) property versus buying a brand new (construction) property.

Below is a brief example on what we see as the benefits of each.

Old (existing)	
Purchase price	\$534,000 (Land \$305,000)
Stamp Duty	\$18,700 Qld (\$28,570 Vic)
Potential upside	Subdivide or renovation to add value. Can still claim for capital works
Downside	Maintenance required, lack of tax deductions especially with new laws. Spend \$10,000 or more extra on stamp duty. No rental income whilst renovating or developing.
New	
Purchase	\$534,000 (Land \$305,000)
Stamp Duty	\$9,900 Qld (\$14,294 Vic)
Potential upside	Less maintenance. Can still claim for plant and equipment as well as capital works. Higher rents. New property can rent quicker. Save on stamp duty.
Downside	Can be hard to get growth if areas are over supplied with new development. High price point in premium areas

New properties do have several other advantages over older properties. New properties are often:

- More energy efficient and environmentally friendly than older properties
- Attract higher-quality tenants, who are willing to pay a premium price
- Often translate to lower vacancy rates
- Have lower maintenance costs
- Have a higher claimable depreciation value
- Result in better, more consistent cash flow, which normally equates to a higher resale value

However, choosing the right property is not as simple as ticking off a list of bullet points.

A property's intrinsic value is determined by a range of factors, which include – but are not limited to – location, land size, design, history, local community, socio-economic environment, local amenities, transport and proximity to employment. These factors make up what savvy investors recognise as key considerations when they look into putting money in any kind of property investment vehicle whether new or old.

The arguments: New versus Old

The interesting thing with opinions is everyone has one. There are few issues in the property investment field that spark as much debate as whether to invest in a new or older property. When considering their respective advantages and drawbacks, the choice between them depends largely on the individual.

For the sake of balance, here are 4 separate considered arguments from varying perspectives of the property industry.

Argument 1: Buy new

The incentives to build your portfolio around newly built properties are many, especially when considering many investors lead busy lives and ideally want to have an investment which works for them passively rather than requiring constant input of time and costs with maintenance.

People who seek diversity can achieve diversity of a portfolio while still choosing to buy new and take advantage of all of the benefits of newer properties. This can be achieved by varying the location – within a specific city or state, or even across multiple states, as well as property type, from house to townhouse and carefully selected apartments and units.

New properties can be immediately cash flow positive thanks to tax concessions available only to investors in the new build sector. There is a higher allowance of tax deductions for brand new property than for existing, even if the existing property is only a couple of years old. This means at tax time you can have an increased refund claim and by adding your tax benefits to rental income you make a few thousand dollars - even in the first year.

Selection of properties in high demand areas means capital growth can also kick in, balancing out the good cash flow position with the big-ticket item all investors are seeking: increased property values.

New properties present well, meaning tenants will be attracted to renting the property, possibly at a premium rent. There is also a much lower chance of maintenance, and the cost of any item that arises should be covered by new build warranties. This means less unexpected out of pocket expenses and greater certainty of costs.

Design of brand new property is reflective of building trends and will appeal to tenants using current colour schemes and features being sought by people for their lifestyle choices. Currently these include neutral colour schemes, light-filled multiple living areas, large kitchens with walk in pantry areas, undercover alfresco entertaining and heating or cooling depending

on the local climate. Each of these can help attract and keep tenants for the long term as they settle into and develop a sense of community in their new home.

Purchasing a house and land package means the investor buys the land first and only pays stamp duty on the land component as shown in the previous example. This represents a significant cash flow saving at the start of the investment process when compared to an existing property of the same price.

Another advantage to a house and land package is the fixed price contract, where everything is costed in and there are no hidden costs or expenses after the purchase which cannot be accurately anticipated.

Argument 2: Buy old (Established)

Buying an established property can open up a lot of attractive options for locations and properties in areas where there is no opportunity to purchase brand new. This means selection of an area can be pinpointed with the right use of data to enable access to capital growth at a faster rate than in areas where there can be a lot of competition with other investors.

There are many avenues to choose from when selecting an existing property. A landlord can opt to put tenants straight in, undertake a cosmetic makeover or a major renovation. Existing properties can be purchased in areas with limited rental stock so there may be a strong demand for a property for its historical presentation or proximity to nearby features, like the CBD, beachfront or schools and industry; even if it is not presented in the latest style.

Beyond immediate tenanting options there is often a larger land component in existing property and so an opportunity to subdivide and sell or develop can be explored. This helps both with long term capital growth and also with maximising gains in the short to medium term.

The key to this approach is to do your research very carefully, both into the area and then the specific property. Keep your eyes firmly on the numbers

making meeting your investment criteria. The challenge to buying in established areas is that you may be competing against own-home investors, who are not making a decision 100% on figures but also with their hearts.

It is well known that people who have “fallen in love” with a property will spend extra to secure their dream home. This can mean it takes extra time to source a property in your desired location.

The goal will be to buy a home which requires minimal maintenance and has the highest rental return in the best area the budget allows.

Building a new property on land next to the existing one or demolishing and building several new properties is a great way to buy once and capitalise multiple times on the same property. With careful budgeting and property selection, you can hold both a new and existing property on one block, even if it takes a few years to achieve this. The capital gains on a larger land holding and the tax advantages of the new property can then be balanced out.

Argument 3: Balance of both

For all of the reasons cited above, there is a strong argument for balancing out owning both new and established properties within a portfolio.

To minimise risk many industry experts advise diversity, no matter what the investment category. For those who choose residential property, diversity can be achieved in two main ways.

First you can purchase a mix of both new house and land as well as existing properties in a variety of locations. This means a balance can be achieved depending on your cash flow and borrowing position every time you add to your portfolio.

The other option is to buy all new house and land packages across multiple geographic markets over a period of time. In this way you take advantage of the benefits of buying new over an extended period of time and have a portfolio of properties which are at various ages due to the timeline they were

purchased. Buying all new properties over time means when maintenance costs arise and depreciation is reduced you will have held the properties for a number of years and provided borrowing has been set up for a long term plan, you will be able to fund maintenance from a now positively geared position.

As your portfolio matures you will be holding both new and longer term properties. This will enable you to balance the tax advantages from holding new properties along with the benefits of compound growth across multiple properties in your portfolio.

The advantage of new properties is that with the protection of new build warranties, the out of pocket costs for the investor are predictable and minimal. The advantage of older property is the scope for potential improvements, meaning greater profit in the long run. Depending on a number of factors for the investor and the available funds for lending you can have the best of both worlds.

Argument 4: It depends on the area

At various stages of life and for various appetites for risk, clients will be guided by their own ability to purchase and be faced with a decision between what is available in various areas.

While quality older homes will generally have superior location and access to sought after infrastructure, the barrier to entry is that the prices are often higher and the requirement for funds to renovate can blow out.

New properties have a lower chance of maintenance issues and associated costs but there is a risk of increased competition and lag for infrastructure to be accessible. Buying in an area with a high level of stock available will delay the increase in value of the property due to oversupply. There are also limits to adding extra value due to factors such as covenants and restrictions on dwelling numbers per block.

There are exceptions and this is where the benefits of research and careful selection of property, plus consideration of goals and time frames, come in.

New depreciation legislation for Australian property investors

The first point here is that unless we are a politician we have very little control over changes that may or may not happen to legislation. Legislative changes have meant owners of second-hand residential properties (where contracts exchanged after 7:30pm on the 9th of May 2017) are ineligible to claim depreciation on plant and equipment assets, for example air conditioning units, solar panels or carpet.

The good news is that there are still thousands of dollars to be claimed by Australian property investors, as there has been no change to capital works deductions, a claim available for the structure of a building and fixed assets such as doors, basins, windows or retaining walls. These deductions typically make up between 85 to 90 per cent of an investor's total claimable amount.

The previous depreciation legislation will be grandfathered, which means investors who already made a purchase prior to this date can continue to claim depreciation deductions as per before.

Investors who purchase brand new residential properties and commercial owners or tenants, who use their property for the purposes of carrying on a business, are also unaffected.

However, as we all know in Australia the political landscape and legislation is fluid with changes being possible with any change of government or change in policy. The main thing is to be able to sit comfortably at the time of investing and that the Australian Government legislation changes rarely have retrospective application. This means any property purchased before a change of law are generally still able to benefit from the old regulations. It is always smart to stay aware of what is currently happening with a view to what changes may be coming and leverage this to find the best option that works for you.

9. Property Strategists versus Property Marketers (Avoiding Spruikers)

If a property team starts with a specific property for you to buy, then you are likely dealing with a property marketer. These individuals are often spruikers. They want to sell you a property rather than spending time finding out which specific type of property suits you best.

As a property strategist, Capital Edge does not have an existing set of properties “on its books” that need to be sold. Our approach is to be briefed by clients and then source properties that meet the client brief.

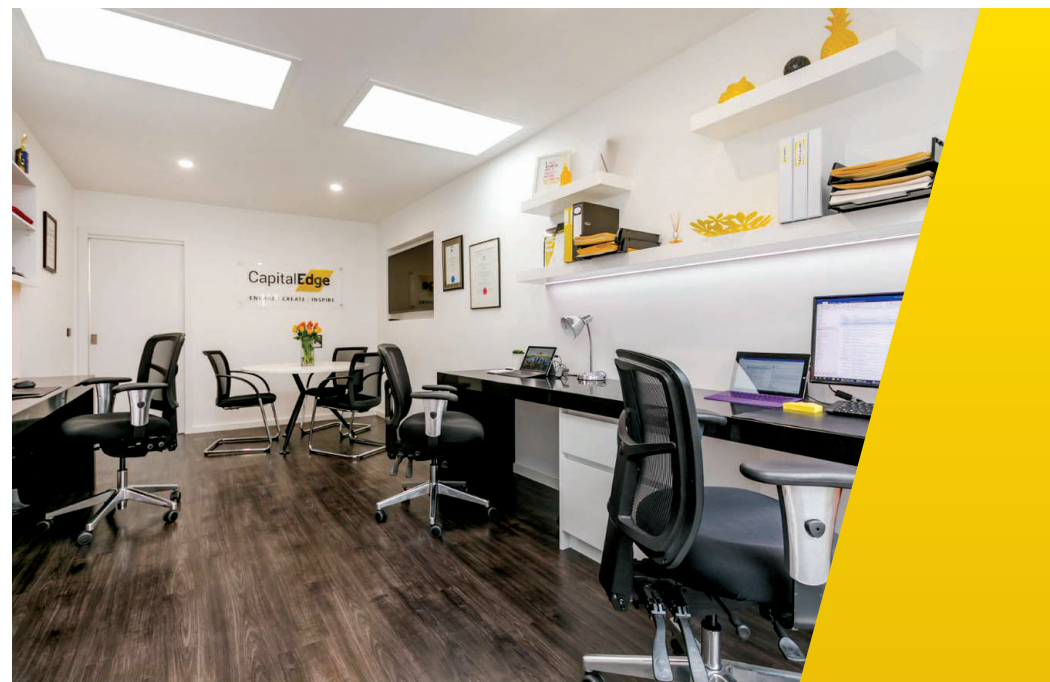
Capital Edge acquires most clients through referrals – we don’t have slick advertising campaigns nor spend thousands of dollars on TV, radio or newspaper advertising.

Many potential investors are wary of entering the market because of concerns around making a mistake or being left with a loss-making property. To minimise the risks entering the market, we suggest you avoid the following:

- A property marketer who takes minimal steps to understand your situation and requirements
- A company pushing the stock they want to sell you
- Being recommended to purchase in an under-performing suburb (make sure that any property marketer can show third party research to support their recommendation)
- A project with over-the-top projections that is never going to deliver the growth or rent return they promise
- A property being presented to you where you need to sign immediately

In order to get the property that’s right for you, consider:

- Discussing with a trusted person or company your situation both financially and personally:
 - What equity do you currently have in property, if any?
 - What are your goals? (Be specific)
 - What do you currently earn?
 - What tax are you paying?
- What are lenders requiring? (This is even more important to understand given changes to credit requirements by financial institutions.)
- What do you want to achieve through property and is a specific property the right fit for you?



The Capital Edge Office – built by SC Jowzy

Questions to ask if you are suspicious that you are engaging a property marketer (spruiker):

1. Do you have your own portfolio of properties and how long have you worked in the property industry? (If yes, ask them for specifics – location, length of time held, goals with property.)
2. Can you find me a property in another state?
3. Can you source both new and existing property?
4. Can you source all classes of property? (For example, house, town house, apartment, commercial, industrial)
5. What is the availability of new land in the area?
6. Will my purchase be subject to bank valuation and finance approval?
7. What infrastructure assets add to the value of the property? For example, schools, transport, proximity to CBD/town centre etc.
8. Is the property a full turn-key product, meaning is it ready for tenants with no more costs or requirements?
9. How many other clients have you put into this suburb?
10. What is the vacancy rate and percentage of renters in the suburb/area?
11. Why is this a good capital growth area?
12. How does the price of the property being recommended compare to the median price for this area?

Until you have asked these questions, there is no way of knowing whether you are dealing with an adviser who can match you to the ideal property. To make an informed decision you must consider this information in full. The Capital Edge property selection process addresses the previous questions by using a client-centric approach.

Our long experience in the market and our relationships with builders mean that in the rare case that something does go wrong, we will be there to work on a solution with the benefit of our relationship and our experience on both sides of the industry. This contrasts with property marketing groups who can burn through builders or investors. These investors often do not have any leverage to fall back on.

We love discussing property with anyone so if you have any questions or interest in property take an hour out of your day and meet with us.

To start creating wealth through property and for your no obligation, no cost discussion with **Jono** from

CapitalEdge

Call right now on . . .

**1300 976 030 or
0413 599 936**

CapitalEdge

10. Nine Insights

1. Security in retirement

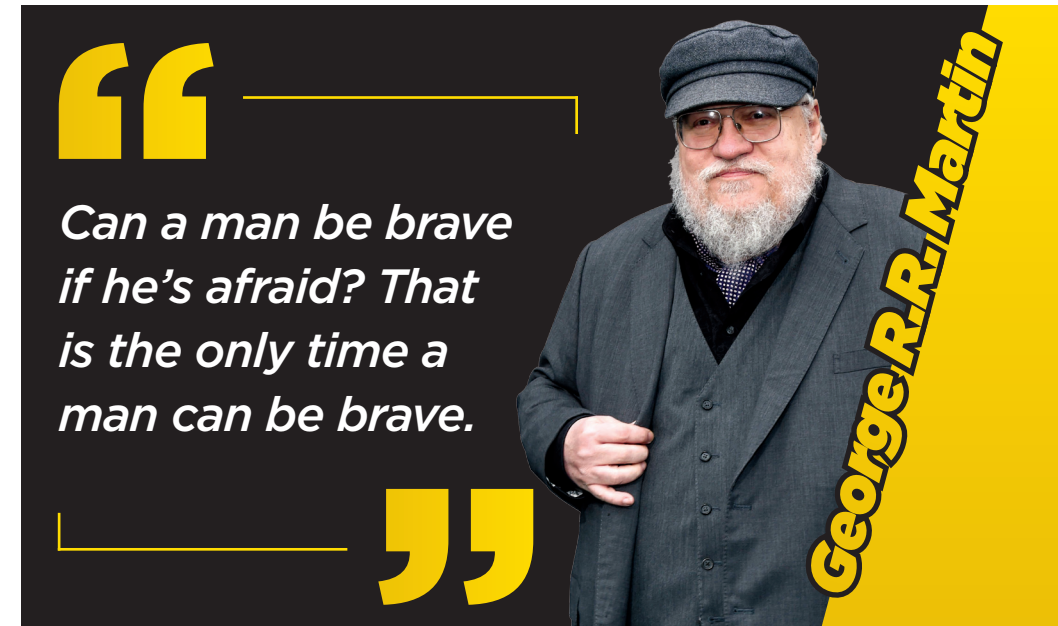
You may know the old saying “don’t regret growing old – it’s a privilege denied to many.” The reality a lot of people face after a lifetime of honest hard work, is that the dreams and plans made for the twilight years are a privilege few achieve. If you want certainty around how your life will look in the long-term you need to start planning now.

People need to take action to achieve financial security and plan for creating wealth beyond the traditional model of buying your own home and living on a combination of savings and a pension. Typically, the amount in a compulsory superannuation account is not going to be enough to provide for you and your family through retirement. The rules and regulations that affect when you can access these funds and in what amounts are uncertain as the Federal government frequently change the rules.

Passive income from well-established residential investment property is a proven method. When compared to other higher risk, or untested long-term investment strategies, capital and rental growth from property seems a secure route by comparison. The superannuation you have accumulated by the time you retire may keep a roof over your head but leave you with very little extra money to enjoy your retirement.

2. Welfare – aim not to be a recipient – will it even be there when you need it?

Pensions and government supplements for retirees change with the political tide. Depending on the government to support you if you outlive your savings and super is one of the bravest approaches to old age. It is also one of the least secure. With the baby boom retirement era placing enormous stress on government reserves even finance experts can’t predict very far into the future. How long do you have left to set up what you’ll need to enjoy your post-work life?



The Capital Edge ‘get rich slow’ approach builds you a base of both equity and rental income so that the net worth of your property portfolio along with its cash flow supports you before and during retirement.

Jonathan’s portfolio has contained up to seven properties which will allow him an earlier retirement than he ever thought possible. Having only started his property plan 10 years ago he is proof that a lot can be achieved in a relatively small amount of time.

Most people will have seen with loved ones or know of examples of the struggle which comes with the challenges of an unplanned retirement, retrenchment or illness and we certainly don’t want this for ourselves or our children.

At Capital Edge a popular saying is, “the best charity you can offer in this world is not to become reliant on one.” We want you to live long and prosper. Capital Edge exists to enable you to have a plan and take you through each step towards achieving that plan.

3. Lending is hard to come by

The lending landscape changes all the time and has done so especially since 2018 with the Banking Royal Commission. This has seen a tightening of lending criteria and regular changes by APRA, the banking industry regulator which has made loans harder to obtain and if not, certainly a more time consuming and complex path to get approvals.

This is a major hurdle to creating wealth. Without being able to borrow it is very hard to build an investment portfolio. At Capital Edge we partner with lenders who are familiar with the current lending criteria, especially when looking beyond borrowing for your own home loan. They understand how to present applications in the best light and know which banks or lenders to approach for different situations and clients. This is invaluable when looking to finance and structure your property portfolio, especially when aiming to buy and hold multiple properties.

Overall this tough lending environment is a positive thing. It means the Australian housing market is robust and built on property values that purchasers can afford. Unlike the disaster America saw with the subprime mortgage crisis around 2007-2010 we are largely protected from this by regulated banking and more prudent lending practices. The housing market in Australia is on a much firmer footing.

4. Leverage

Leverage, along with compound growth are the true levers to creating wealth through property. Understanding these concepts is the key to opening up your wealth journey.

The advantage of buying property compared to lots of other asset classes is that you can borrow or leverage your personal investment.

If you borrow 90% of the value of an investment property this means you have 10% equity. If the property price is \$500,000 you have contributed \$50,000. If the property returns 10% growth you have made \$50,000 or a 100% return on your initial investment!

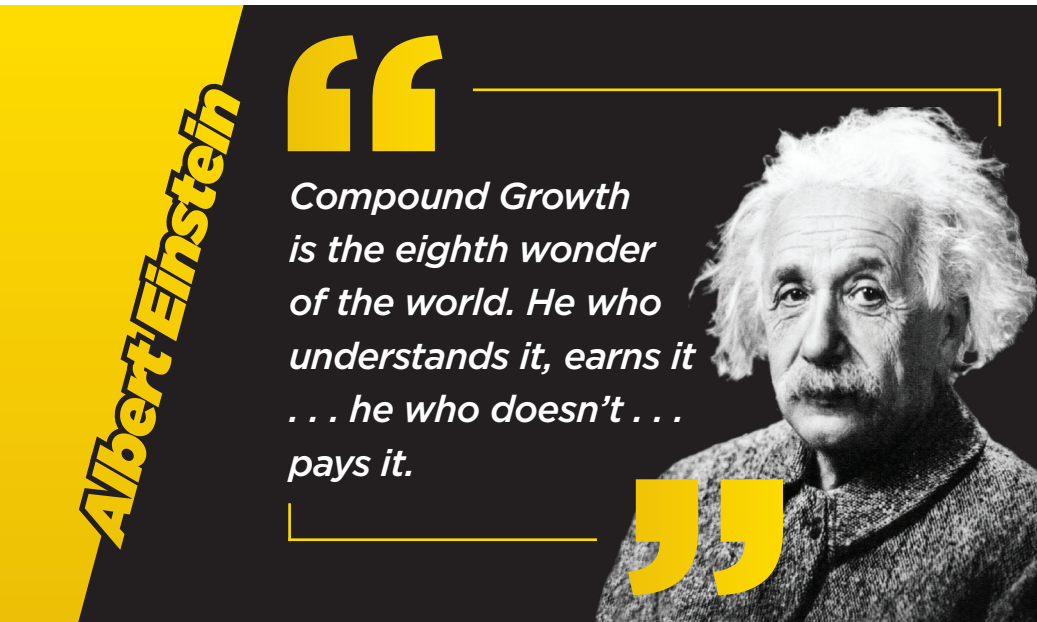
Compared to another popular investment option, if you put the original \$50,000 into a speculative share and it grows by the same 10% you will have only made \$5,000. This leaves you \$45,000 short of gains in a property at the same growth rate. This difference will apply year after year. If in 10 years both your share price and housing prices double, the share will see you with \$50,000 more equity whilst the investment in property would see you with a whopping \$500,000 more equity.

This is the magic of leverage using good debt!

*If You Don't
Understand*
LEVERAGE
*You Work
Too Hard!*

5. Compound Growth

Compound Growth or compound interest as Albert Einstein famously stated:



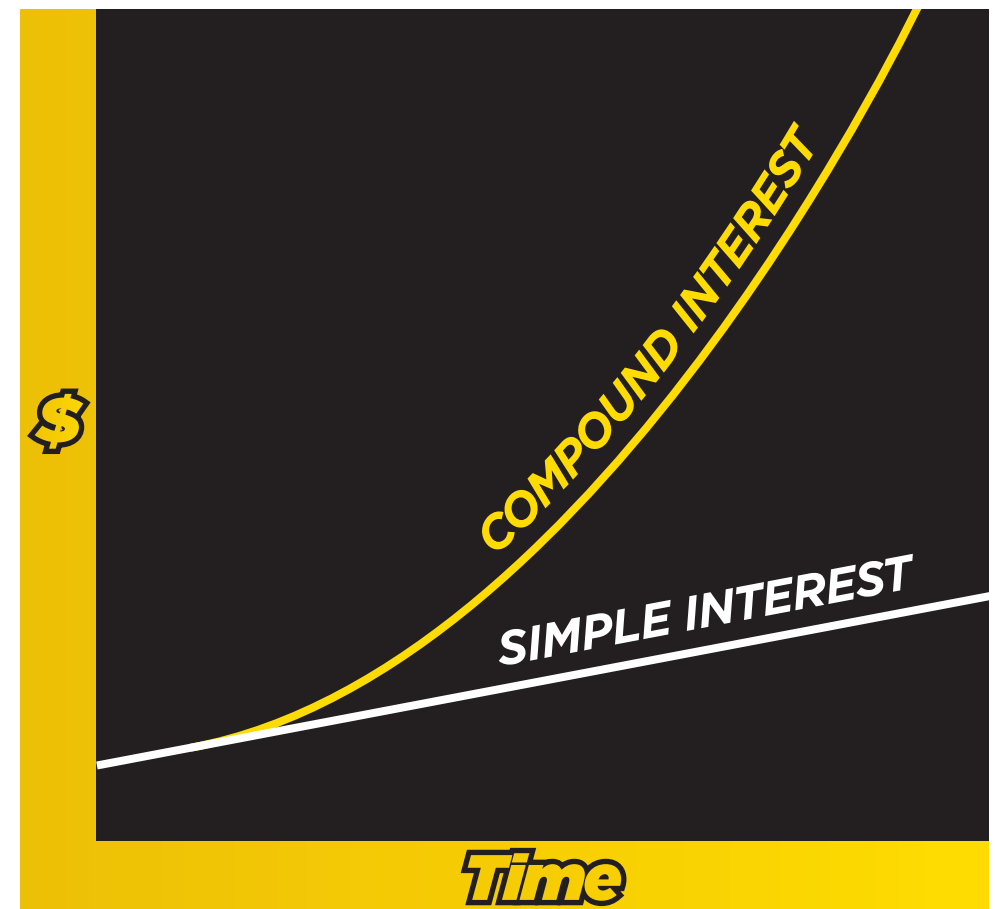
If you took \$1 and doubled it each day, how long would it take to turn it into a million dollars? The answer is just 21 days. That sounds incredible but is the power of compound growth, or simply growth on growth.

As with the explanation of leverage, compound growth is another concept to understand and embrace with property investing. Compound growth is where you reinvest your returns into your original investment, letting it grow and repeating the process. In the case of property, it means setting up a structure that enables you to hold numerous properties at once to take advantage of their compound growth.

Have you ever heard someone say they have made a huge profit through a property increasing in value – often their own home – and follow this with

“I wish I had bought 2 or 3 of them”. This is compound growth in action, and Capital Edge provides a structure which enables you to hold multiple properties and enjoy compounding growth across a wider portfolio.

Simply put, if you have one property growing by \$50,000 per year then by holding 3 comparable properties your portfolio would increase in value by \$150,000 per year and 5 would equate to \$250,000 per year.



6. Planning for your financial future



We've all been there – living life day by day and having no real financial plan or goal. Even if you have started your plan it can stall – life gets in the way. We are all busy and the big stuff seems to easily be put on hold.

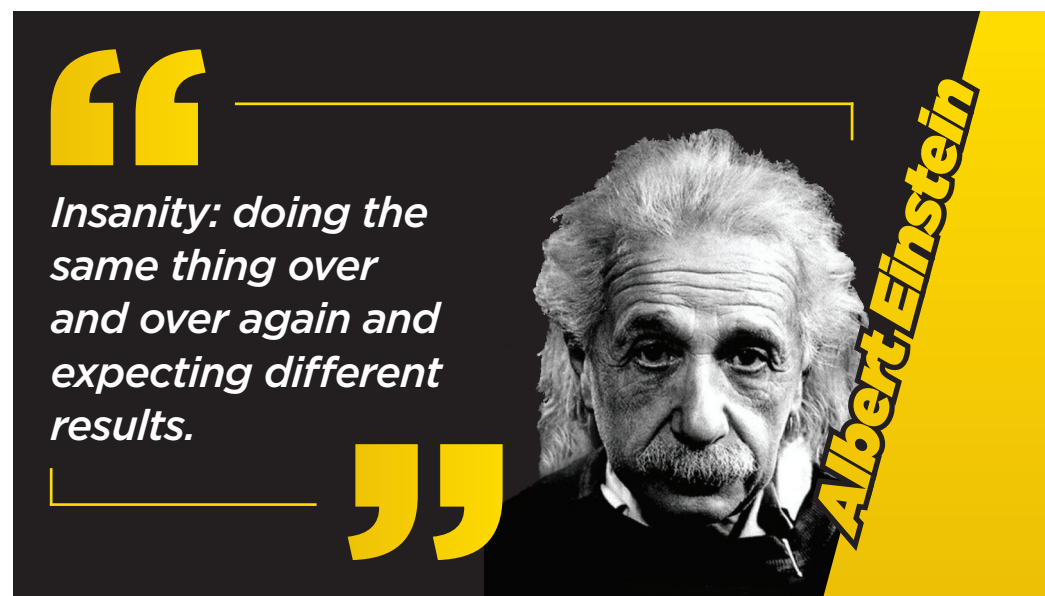
We know investing for 'the future' is so easy to push further and further away. However, with the right guidance and direction it is amazing what you can achieve in a short period of time. Setting 3 or even 5 year goals are great to point you in the right direction. You will be amazed at what can be achieved in this time period.

At Capital Edge we love working with clients in this area and we want to help you define and create a future that encompasses all your goals. We will work together on the practical steps it takes to get there.

Like a type of life coach, or a business mentor, we're really good at motivation – which could be the key to why you haven't already got your practical, financial part of the plan underway. Maybe it's on your to-do list and is one of those items that there isn't enough time in the week to even start on. We can take the stress out of the process and ensure that you'll be taking regular steps forward.

Without a goal we can become rudderless and just drift along. As the saying goes, the definition of insanity is doing the same thing again and again and expecting a different result. If we are standing still, the reality is we are actually going backwards. Without goals, life drifts. However, by creating a vision, not only your goal can be realised, but your lifestyle along the way will be more enjoyable.

We don't profess to have all the answers and firmly believe that there is a place for financial advice from a qualified financial planner along with a professional accountant that understands property investing inside out. The key is to ensure each of these advisers is a great fit and will help you achieve your goals.



7. Assess other assets/Investment types



We are not financial planners, nor are we experts in any other means of building or attaining wealth. We recommend being broad minded in your search for what's going to bring you security and happiness.

There is definitely a place for investing in other categories such as shares or commercial real estate. Our experience and years of research has found us returning to a tried and true method of creating wealth through residential property. We're happy to share our decades of knowledge, relationships and tips with our clients.

We are always interested in hearing about the path other successful people have taken to achieving their financial success. We keep coming back to our residential property investment model with confidence that although it is

not for everyone, everyone would benefit from at least exploring if it might work for them.

We have also watched some folk following each latest trend on the fast-money stage. Meanwhile, we continue on our path and research into areas right across Australia, looking for the right blend of solid potential and proven performance.

We leave the speculative shares, Bitcoin, pine plantations, overseas property and various other high-risk investment options to others. We have had a taste of the results of the "too good to be true" speculations at our own expense. You won't see us pouring money into the next big thing.

Property is a long-term investment and we're not too worried what the click-bait and disaster headline media or the doubters have to say. The interesting thing with the media is that for every negative article, there is a positive one on the same topic. We are happy to look at history and combine that with our market analysis to make our investment decisions.

8. The Get Rich Slow Scheme

At Capital Edge we firmly believe in letting time in the market work for you. A mistake we have seen some people make is jumping in and out of the property market. The first problem with this approach is the high entry costs including legal fees, stamp duty and any interest costs as well as the exit fees of advertising and agent selling fees.

Plus, when adding other expenses to bring the property up to a selling standard including painting, recarpeting, landscaping and staging, the process of buying and selling is expensive. If you are buying and selling over a short period of time these costs can quickly eat up any capital gains made.

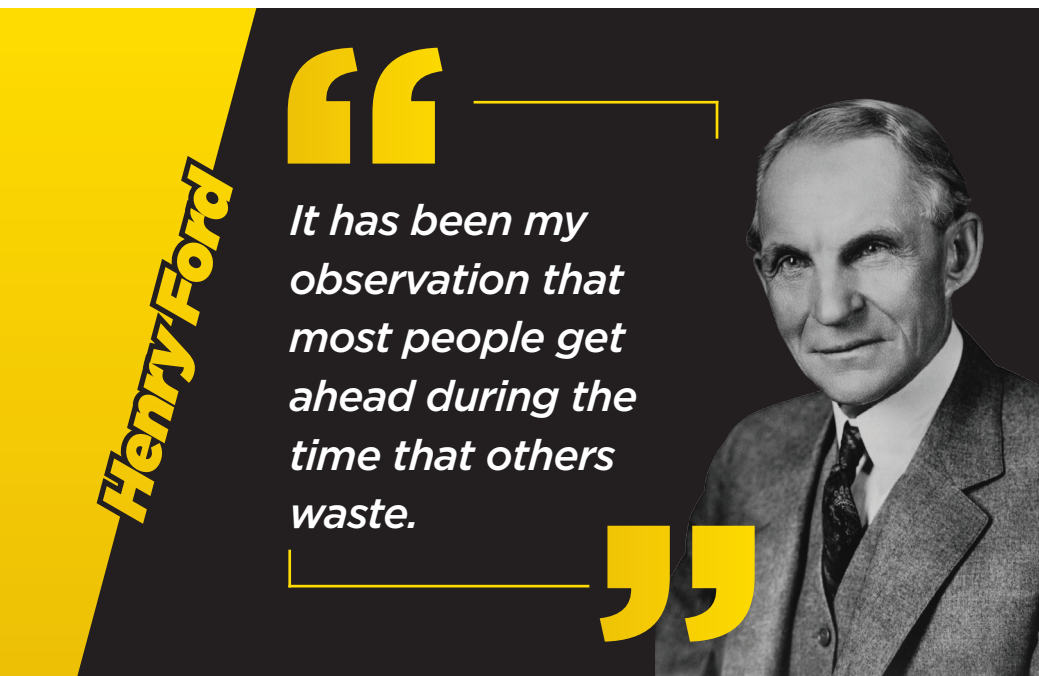
If you have found a solid property investment in an area earmarked for capital growth and your holding costs are minimal then sit back, relax and let the market and time work for you. Over the last 100 years property in Australia has consistently doubled in value every 10-12 years and this sort of growth is hard to find in many investment classes.

Although the Capital Edge property selection process focuses initially on a purchase, then on holding a property long-term, we do still work with our clients and help assess when a market might have peaked, or circumstances have changed meaning it does make sense to sell. Clearly if you are holding a property in a market that looks like having little or no growth in the next 5 years, then it makes sense to liquidate this investment and possibly invest in a different area where you are going to gain capital growth over the next few years.

9. Work with someone you trust

Investing is complex – there needs to be trust.

The journey can be challenging at times, but we have been there ourselves and with our clients many times now and we're always happy to share any amount of detail or assist with any step in the process in order to reassure you that it's real and achievable.



All of the lessons we have learned (and we've learned a few the hard way) plus the industry relationships we have, sometimes for decades, will be of benefit in ensuring you can avoid wasting a lot of time and effort and possible mistakes. Clients have fed back to us that this enables your property journey to run smoothly. Companies who work in this space often charge thousands of dollars for this service. This is our gift to you in return for the trust you put in us by choosing to work with us.

We not only invite you into our home office but are there to work with you every step of the way. We often work in conjunction with our clients' accountants and financial planners and welcome another trusted professional from your own network to look at anything we are presenting. And as important as personal trust is, you must also have trust in the process.

Once you have made the decision to move ahead, we have a tried and tested process for finding the right property for you. This combined with the security of a finance clause in almost all cases, including a full bank valuation on any prospective purchase, gives you the peace of mind you are dealing with not only people but a company you can trust.

You don't just have to take our word for it though as we are always happy to provide the names and numbers of any of our clients if you want to talk to someone directly who has dealt with us in the past or is still actively working with us.

Part 4: The Capital Edge Difference

11. Trust and Teamwork

Investing in property is one of the major decisions any individual or couple can make. A common barrier to investing is a lack of trust in the process and the people you have to deal with when acquiring a property.

The issues around trust include:

- The marketers of property putting only their interests first – at the expense of the purchaser.
- Uncertainty as to whether a property represents good value.
- Conflicting information from family and friends around all aspects of property.
- Hearing ‘horror stories’ in the news about property scams.
- Exaggerated claims about results that can be achieved, particularly at property seminars.

Yet, in spite of these issues, countless Australians continue to invest successfully and build considerable wealth through property. Trust is essential with all forms of investment and requires all investors to take prudent steps to protect their interests.

A key message from this book is the need for professional guidance from sources who are not seeking to sell you a property ASAP but have a process which puts your financial goals and property aspirations front and centre.

Investing in property should not be a transaction where a salesperson seeks to sell you a property they need to sell. Ask yourself, do they have a process

that seeks to find a property for me, rather than sell me something they already have on their books? Whose interest are they representing?

Trust is based on having a team of professionals around you who can help you make better informed decisions. Our objective is to be a trusted resource assisting ordinary Australians to achieve their property investment goals.

Beware of property experts at BBQs

BBQs or social gatherings are a great place for discussions. And in the current world climate of Covid-19 lock down hopefully something we can return to soon! Frequently the topic is the Australian obsession with property. Most people have opinions that may or may not represent what is actually happening!

Given the relentless series of television shows on Australian property and renovations, there are lots of headline readers and a short-term perspective on what areas are currently “hot”, interest rates, etc. (A login to realestate.com no more makes you a property expert than a subscription to a recipe website makes you a chef!)

This leads to uninformed speculation and a focus away from longer-term fundamentals. Along with surrounding yourself with professionals in a number of key decision making areas, it is equally important to ensure you qualify the source and the motivation behind any facts you hear in a social setting.



12. Five Dirty Secrets of Property Marketers

You have considered other investment options and have decided that property seems right for you. With a general understanding of the property market the next challenge is where to start.

Many property companies operate in this space. During our conversations with prospects and clients we often hear examples of behaviour which is not in the best interests of the investor. These property spruikers are commonly known as property marketers. The unscrupulous behaviours we most commonly hear of are summarised below:

1. **Misleading appointments from a cold call**
2. **False sense of urgency – pressure – contracts at first meeting**
3. **Hidden commissions**
4. **Valuations being under market**
5. **The property itself is not important – FALSE!**

Secret 1: Misleading appointments from a cold call

Many property marketing groups conduct in home appointments which have been set up by a telemarketer under the guise of providing information on minimising tax and providing legitimate financial advice.

Capital Edge is not in the business of cold calling or using any false pretences to convince you to purchase an investment property. We are a referral based business.

Secret 2: False sense of urgency – pressure – contracts at first meeting

Capital Edge had a client who had signed contracts with a property marketer. This group attended her home for their first ever meeting and actually had contracts with them for an immediate property purchase. To use the client's words, "they were very pushy and compelling that this was the right deal for me that must be done now". Under a fair bit of stress, she signed these contracts and then met with us the next day.

After meeting with her and explaining what we do for our clients and how we source property, she felt like a weight had been taken off her shoulders and duly cancelled the contact from the night before. Luckily, she was still in the 3 day cooling off period allowed for under the Sale of Land Act 1962 (VIC) and could cancel the contract without penalty.*

We caution our clients to remember that if you find yourself in this position, the cooling off period begins from when YOU sign the contracts, not from when they are signed by the seller. This deceitful behaviour is exactly what we want our clients to avoid and never be subject to. Subsequently to this meeting with Capital Edge, our client has now purchased a property that was subject to finance and also importantly a bank valuation and has been overjoyed with the support and direction she was given throughout the process.

*Note that this clause varies by jurisdiction and relevant state legislation.

Secret 3: Hidden commissions

Property marketers will often partner exclusively with a single builder or project for the right to sell a group of properties or a development, meaning they are not considering all available options which may suit you, only the one which gives them a fee. This arrangement can include adding on commissions to the cost of the build and an additional commission for the land component. Plenty of our competitors also like to charge an added fee for project managing any purchase you may make through them.

In our experience this can see clients paying \$40,000 - \$60,000 more than a fair market price.

With the process followed by Capital Edge we are completely transparent with our clients on how we are remunerated. We fully disclose how we are paid for our services.

Secret 4: Valuations being under market

The unseen commission as outlined in Secret 3 is an explanation for when you hear stories of a purchase coming in through the bank's valuer significantly under contract price. We have even seen properties undervaluing in the marketplace by amounts in the tens of thousands. The reason behind this is because of all the added on fees and margins.

Unfortunately, properties will often be cross collateralised by the banks when determining your borrowing capacity with them. So, if you have lots of equity in your own home you won't even know that the new investment purchase has been valued under the contract price. The bank looks at the overall equity position across all properties and not individually. At Capital Edge, we can explain how to avoid this or at the very least know the actual valuation of the purchase.

At Capital Edge, we want you buying at current market value with the aim of achieving long term capital growth. How long is this going to take if you are starting the process tens of thousands behind what a valuer thinks it is worth? We have designed a system where our clients often purchase a property that will have equity built in from day one. This comes about by purchasing the land well and then having no other add-on margins or costs to pay.

Secret 5: The property itself is not important – FALSE!

Property marketers are focused on selling a property and so emphasise the importance of being “in the market” rather than having a property

investment which is tailored to the buyer's needs. They often understate the need for quality fixtures and fittings resulting in a property which will age more quickly and have higher maintenance costs.

We not only understand what type of build will attract tenants but also what will result in the best valuations and future growth. In general, we ideally want the biggest block of land possible within budget, with a property which features a four bedroom home, two bathrooms, a double lock up garage, under roof alfresco and quality inclusions with a fixed price, full turn-key property.

Having owned and run a property management business for over a decade, we understand that the best tenants will always be drawn to a higher quality property. We can assist with fine tuning the purchase in order to achieve the highest return on your investment.

So...

In summary, at Capital Edge we have absolutely nothing to sell you when we first meet. We are yet to receive any negative feedback from a client about our first appointment with them.

This is an opportunity to meet and talk about your circumstances, learn what we do for our clients and then decide if property is right for you.

Following the initial meeting, if agreed, we start to research specific property markets with your approval.

13. Taking Action

With property investment, it is easy to be a long-term spectator who is always just about to enter the market. Others may have a sudden “fear of missing out” and make an impulsive property purchase. People who take this type of action are often the ones who exit the property market after a setback. Taking advantage of opportunities in the Australian residential property market requires a well-thought out approach.

We recommend being strategic and applying a tailored approach to identifying a suitable property. Capital Edge is a boutique company helping clients successfully enter the property market and if desired, build a portfolio of properties. With our guidance, clients are supported in achieving their property investment goals.

The crucial difference with Capital Edge is that the property investment process starts with you – not with a property that needs to be sold. Remember, if while speaking to any salesperson about investing in property they push you towards a specific property or try to rush you - run! Run a mile!

At Capital Edge, the last step in our selection process is to look for a suitable property. Before that we must understand all about you and most importantly your goals and dreams. We document your risk profile and current financial position in detail. Only then do we start the research into an appropriate investment property.

Our research spans Australia to identify and short list all potential markets. We consider the type of residential property investment whether it be an apartment, unit, townhouse or house which will work best to achieve your goals. Identifying a suitable property is not the end of the process by a long shot! The assistance provided by Capital Edge continues through the entire purchasing process through to the property being settled and tenanted. The relationship extends well beyond this to regular check ins and support with any aspect of the ongoing ownership of the property and building your portfolio.

In summary, at Capital Edge we will help give you guidance with your goals, while we help to educate you and facilitate the right process in making your property investment decisions. Finally we help you source and appoint the right property team for you giving you insights and the right questions to ask when putting your team together - we are here for the whole journey.

What next...

So when should you buy property. The old adage of yesterday still rings true, however you need to enter this journey with a plan. Once you have your goals in place, along with the right process and a professional and knowledgeable team around you is when you should start.



You have read this far...

You are clearly interested in property...

Where to from here...?

To start the conversation, it's simple.

Send Jonathan an email, text or phone him and start your property journey now!

M: 0413 599 936

E: jonathan@capitaledgeaustralia.com.au

External Challenges in the Market

From time to time Australia and the world faces economic and social challenges outside of your or my control. These have often led to harder economic times and destabilised the world economy. These have included the subprime mortgage crisis in America that led to a world economic recession between 2007 and 2010. Australia was one of the few countries that avoided this recession partly due to the strong foundations of our property market and prudent economic management at the time from the government.

There has also been several pandemics and over the last 20 years we have seen SARS; Avian Flu (The bird flu); H1N1 flu; Ebola and as we are currently experiencing Covid-19. We have also had the threat and acts of war and terrorism such as the tragedy of the twin towers in America as well as the threat of Nuclear arms from North Korea.

All of these things have impacted the Australian economy and in many cases seen the share market crash. In almost 80% of cases any major event that has effected Australia financially has often not had an impact on the property market overall and when it has, the impact has been minor and rectified itself very quickly, often with gains at the other end of the crisis above any previous losses.

As the first edition of this book was being sent to the publisher in March 2020, the first Covid-19 lockdown commenced in Australia. A year later, as the second edition goes to print, the world continues to struggle with the pandemic, but there is light at the end of the tunnel with vaccinations.

The Australian property market has rebounded strongly after the first lockdown; this in spite of the economic shocks and the lack of foreign investors. For many Australians property has proven to be a safe haven.

Your personal situation and financial goals may have changed. However, take a long-term view. I am always happy to have a chat and to discuss your personal situation. The process I have developed is a long-term strategy for building wealth. Take care and lets ensure we build a positive future.

Jonathan Fordham

Notes

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Capital Edge Client Testimonials

I think (investing) on my own, the stress level would have been higher. So for me it was knowing the end-to-end process was there, and that was what actually had me jump in. Otherwise, I know I would have procrastinated and there is no way I would have bought in Birkdale, Qld.

S.Q.

We thought we had already missed the good opportunities in property. That we were too late to the market. Capital Edge showed us why yesterday is always the best time to have bought but that will also be the case tomorrow! Their authenticity was comforting. Jono ran through his own portfolio in his first meeting with us and we realised we were in a very similar position to Jono and his family. Knowing this, their recommendations sat comfortably on our 'risk profile'.

They are an encyclopaedia of knowledge on the whole property investment industry.

N.M.

The complexity and risk prohibit a lot of people as well as the perceived learning process to even get to the point of finding an area to buy. Then there is chasing Estate Agents, finding an accountant etc. We're all busy so you have to be a certain personality type to sit down and do this on your own. I'm not, I'd rather rely on advice and be involved a bit and manage the situation, than be a subject matter expert.

Capital Edge find areas that are growing, with a clear definition of what growing means. Apart from the builder being used, it's completely independent. It makes logical sense. I'm also very impressed with the builder we used too and going up there and actually seeing the final stages.

M.L.

They took my fears seriously, and literally walked me through the process, as a friend but also in a very professional way. Capital Edge is not intimidating or too corporate. The warmth and personal level of service is great.

K.M.

We already had six investment properties, but this is the first time we've built one. The builder and the whole experience was great. The extra help we received from Capital Edge after the completion and handover of the property was brilliant. They revved up the property manager for us and we've had terrific service from them too, ever since.

M.S.

Capital Edge are so easy to work with. They were right on top of all correspondence between the builder and the agent, when I had to make an insurance claim (a freak accident meant the garage had to be rebuilt.) They made sure the builder's warranty was intact. Could have been very stressful for me but I could tell it was all well under control.

C.P.

As a single working mother I thought it would be impossible to start a property portfolio. After meeting with Jono and understanding options around gaining finance I was able to secure my first investment property with some family support. I look forward to adding a second one in the years ahead.

M.M.

Book disclaimers

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The Capital**Edge** Approach