



iFindProperty

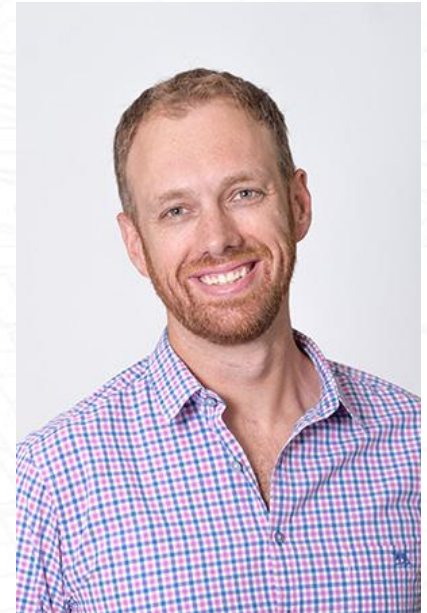
Nick Gentle

**Investor Story – Build a portfolio
remotely**

2020 – Waikato PIA

Agenda

1. Introduction
2. How to invest where you are not and do it well
3. How to use constraints to your advantage
4. Student / Young person flat investing (my own recent strategy)
5. Strategic ideas when building a portfolio
6. Why Labour-driven changes are not "the end" of property and will create opportunities for folks
7. The most important thing
8. Q&A



Introducing.... me

1. 38 years old, grew up in Te Puke
2. Investing since 2008
3. Quit job at 31
4. Approximately \$5mil portfolio with 50% LVR
5. \$160-170K passive cashflow PAHave done 25+ trades
6. Co-owner of iFindProperty, NZ's first licensed buyer's agency for investors
7. Lived in Japan for 15 years
8. Married 12 years with one son (9)



Still.... me

1. First property I bought halved in value
2. Once lost \$45K on a trade... which took over a year to sell
3. Probably shouldn't have quit job at 31! (But it seems to have worked out)
4. Sold properties in Auckland for \$230K in 2011.... and thought I was a genius
5. Have paid thousands in break fees
6. My last renovation was over budget... by \$100K and took 4 months longer than planned
7. My current one will be \$50K over and take 6 months longer than planned.



Bank the wins, learn from mistakes

Success



what people think
it looks like

Success



what it really
looks like

How to invest where you are not



Focus on overall progress and trust your team

My ideas:

1. 90% of something is better than 100% of nothing
2. Working with others helps means I build a profitable portfolio *faster* than trying to spend the least and DIY
3. My not being there is useful (sometimes!)
4. What is the worst that can happen, how can I avoid it and how would I fix it?
5. Who can help me succeed?
6. Factor in costs in when you buy. Remember in the end it is OPM!
7. Time heals all
8. Constraints can be an advantage



Turn constraints into advantages



Constraint: It was a liiiiittle bit hard to visit properties

Advantage: I could be completely objective. It became about the numbers and the advice from my team



Constraint: Big projects take a long time.

Advantage: I made sure they were worth doing.



Constraint: I can't source my own labour or materials. How can I be sure I am getting the best prices



Advantage: Yes it will cost more but not in time. Factor it into my buy price and forget it. Stop worrying about saving cents and make dollars.

Constraint: I have to pay others to do work I might have done myself

Advantage: While projects are being done for me I can generate income elsewhere

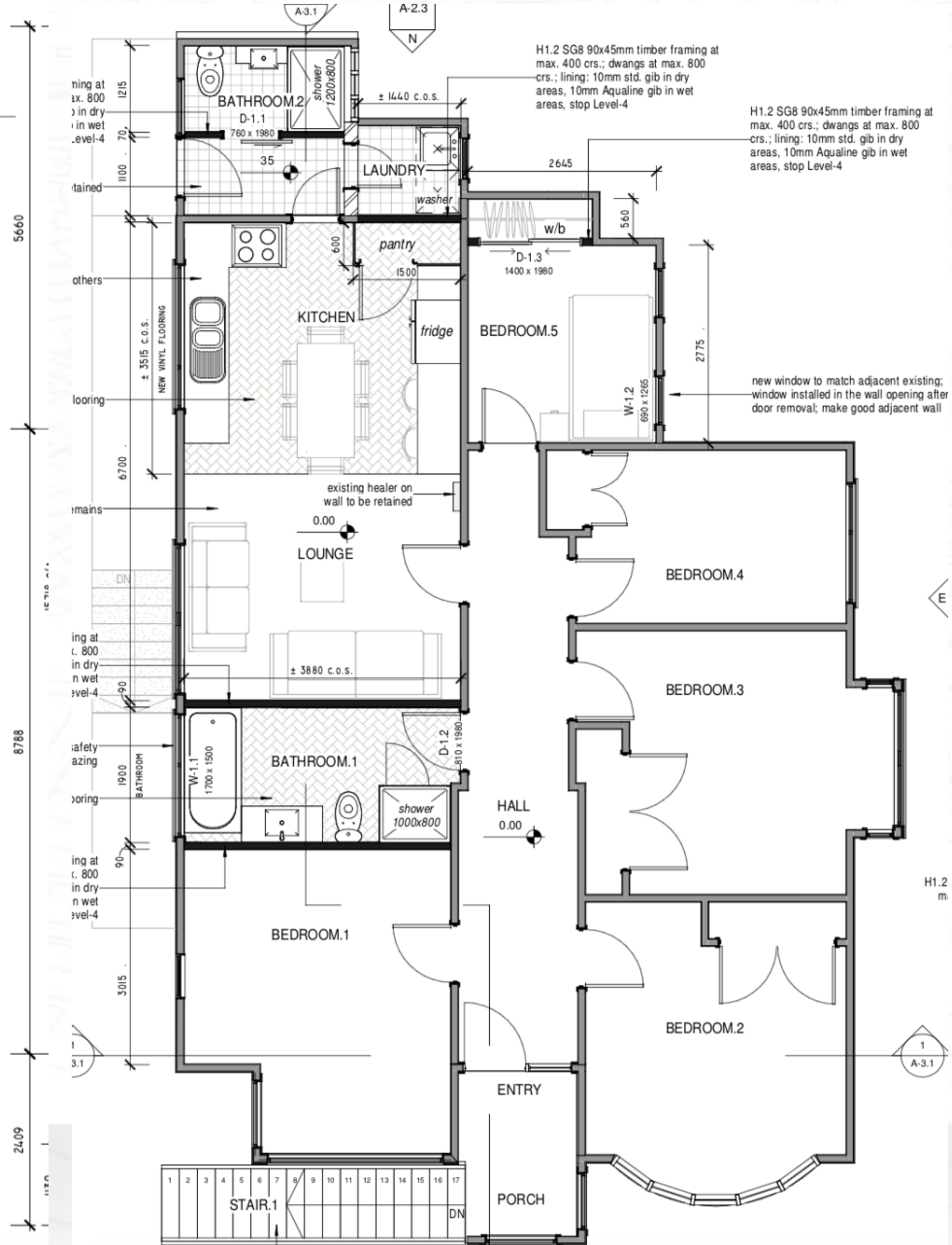
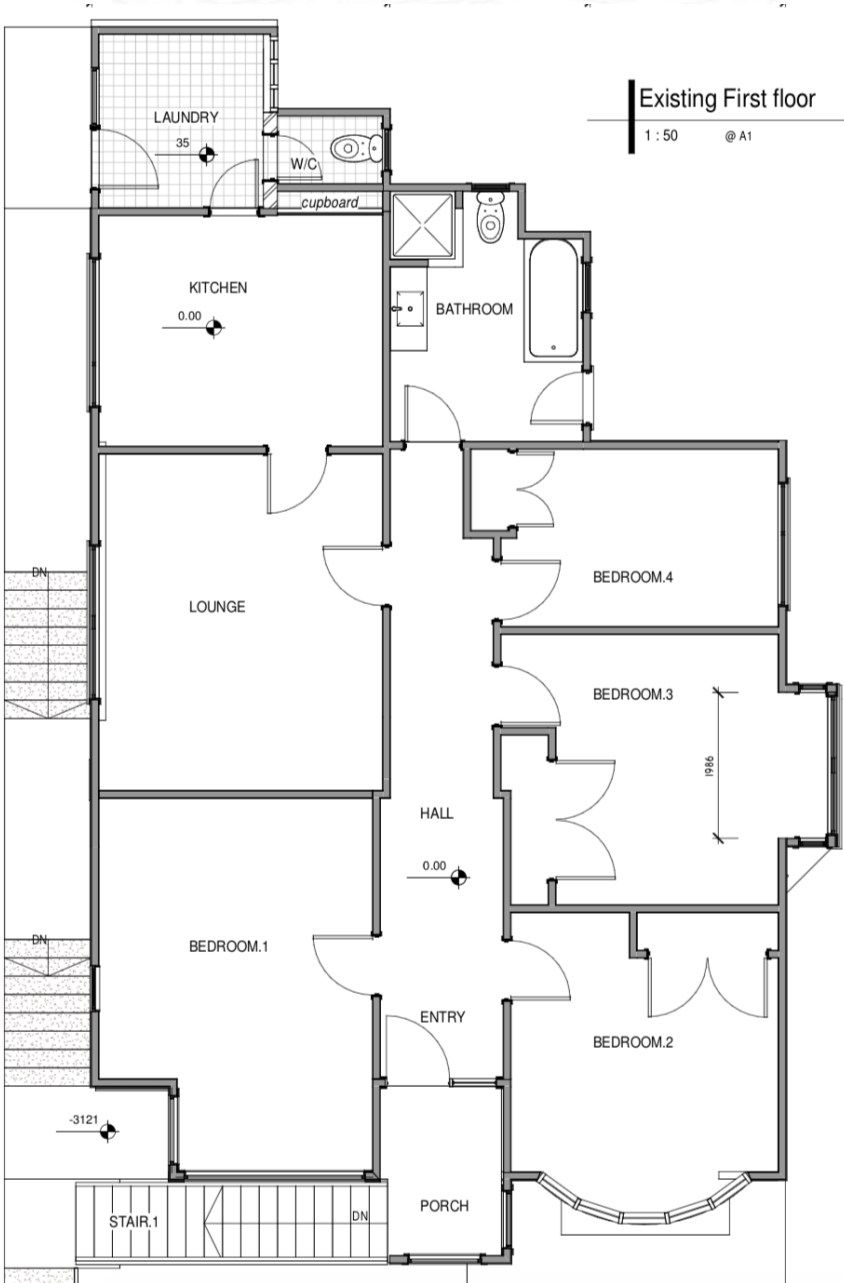


Inner city rental – Student flats

Brooklyn Wellington

- Bought in April 2015
- PP including fees \$681,000
- 3 bedroom flat up / 2 bedroom flat down.
- Original rent \$750pw (\$450 + \$300)
- Plan was to remodel and improve to increase rent upstairs and cosmetic reno down





The result

Before

3 br rent upstairs = \$450

2 br rent downstairs = \$300

After

5 br rent upstairs = \$1,000

2 br rent downstairs = \$400

Valued based on cashflow (cap rate)

- \$1,400 pw x 52 weeks (fixed lease) = \$72,800
- Fixed costs = Approx \$8k (rates, insurance, maintenance)
- Cap rate = 5.5%
- $(\$72,800 - \$8,000) / .055 = \$1,180,000$

Total spend roughly \$800,000

Equity gain \$380,000

Net positive cashflow \$25K (ish) after fixed costs, PM and interest on 100% lending

I was able to buy another even after 40% LVRs introduced and have completed 2 more



The cost of expertise becomes a bargain

- (\$\$) Property finder sourced the deal and did some initial upside analysis
- (\$\$) Valuer to consult with prior to project, part of approval process. Chattels valuation a must.
- (\$\$) Architect assist with DD and assessing potential, make plans
- (\$\$) Builder to check property during DD, provide estimate (ball park to start), run project
- (\$\$) Accountant to advise on structure, agreement wording, depreciation, timing etc
- Broker lines up finance, make sure bank understands the long term plan and for later projects secured development funding
- Insurance broker to make sure can get insurance, not certain in today's world
- Property manager assess end rents, confirm livability and appeal



Well that worked out well

2016 purchase, 2017 project



2017 purchase, 2018 project



Student rentals are different!

- 52 weeks leases
- Critical to lease during peak season. Hard to remodel/renovate between seasons
- Higher wear and tear
- High rents
- Expensive
- Have a bad reputation due to the worst tenants and the worst owners



Property investment strategic ideas

- Be clear on what you want, why and by when... (the “how” will show up accordingly)
- Your business is to provide quality housing. Your wealth is a byproduct. Be a professional landlord
- Think about your next 3 purchases and address funding roadblocks before they happen
- Don't be afraid to spend to make things happen faster/better if the value is there
- Be an optimist... trust but verify and prioritise taking action
- Get accounting advice before any purchase/sale
- There are always things you can work on when not buying or selling



The "Red Team" have changed things!

- So what? Be proactive, not reactive
- Extra costs = break it down to per-week and look to offset (the end of the cheap rental)
- Ringfencing = think portfolio, improve properties, increase cashflow, sell your lemons. Neg gearing maybe not so great.
- New regulations = better systems
- New taxes or costs = OPM got you here... so expand portfolio to cover future changes.
- Most countries have a "change" government in now. We are not unique.



Fundamental drivers still in place

- Interest rates are still really low
- Population is still growing
- Employment still very high
- Lots of people still need houses
- New Zealand is still desirable

Plus... there's an election next year 😊



The most important things (for me)

Find a way to be content with what you have now and be excited about the future.

The happiest investors intrinsically enjoy the learning, the work and the challenges



Thanks, Q&A

iFindProperty

www.ifindproperty.co.nz

nick@ifindproperty.co.nz

Free online course

www.ifindproperty.co.nz/course



Q&A

