ARE YOU WANTING TO INVEST IN PROPERTY… BUT JUST HAVEN'T BEEN ABLE TO MAKE IT HAPPEN?

You spend hours trawling realestate.co.nz or trademe, you call agents, you go and look at properties and maybe you have even made offers and been to auctions. But you are frustrated because it still hasn't happened.

Or maybe you are starting out, and it all just seems too much – either you fear you might fail, or even just the thought of it all turns you off. Perhaps you've read all the books – you know how to do it – but still - no portfolio.

You want it…but…it just isn't happening.

Good news – you can build great wealth out of property without it killing you. You can build a portfolio that will go up in value, create capital, and set you up so that one day you can live without having to work. It can happen – successfully and reliably, and safely.

We've done it personally, and we've helped hundreds of clients build wealth through property. We have spent 20 years refining the process of buying investment property and building investment portfolios.

I'll show you how to do it – practically. I firmly believe that if you take the steps we recommend, you will be successful. Why so confident? Because it has worked for me personally and we've seen it work for hundreds of clients – we've had 20 years to watch it work.

I'll share **the 3 key barriers to investing** and the **ONE thing that will get you over those hurdles into a successful, wealth generating, portfolio**. There are lots of little challenges and other things you must do that I won't go into, because they are secondary. But after 20 years – I am putting forward the three key things that I think block people or cause them to fail…and a process for ensuring you push through them reliably. And it's not just theoretical – I'll also show you the results of a client we have been helping for coming up close to a decade.

First…the barriers…

THE 3 KEY BARRIERS

Barrier 1 – YOUR HEAD

After 20 years of personally investing, 15 years + of advising on property investing and 10 years of buying on behalf of people, I can say without hesitation that the number one reason people don't invest, or fail at investing, has nothing to do with access to finance, or government policy, or lack of knowledge or anything else – but it has all to do with perspective – the attitude of the investor themselves. I am not talking motivational hype, I am simply talking about the negative chatter in our heads, which we often think is mature critical thinking, that stops us from acting.

I have spoken to thousands of people in my time about property investment – how to do it, why it's worth it, and sharing evidence of success.

So why do so many people not take that step to get started?

Because of their head space. They will say things like

- It's the wrong timing for me – my cat died. So when is the right time?
- Oh I need to save more – no you don't – you just <u>want</u> to save more.
- My partner won't agree to it.
- Or – the all-time classic – I think the market is too heated, I'll wait for it to drop.

All that tells me is that you think the market will go back up again if it does drop and, so you expect to avoid a price drop. And so when will you know that the market is at the bottom? When the market starts rising again you'll say – I need to wait to see if this is a recovery or just a blip – then the market really takes off and you say the market is too heated and you will wait for it to drop. And so the cycle continues.

It continues till you realise it's now or never, which for some people is early 50's, but in fact by which time they only have maybe one property cycle left – and they end up achieving far less than what they could've if they had told the demons in their head to shut up and just hatched a plan for success and executed it. And then retirement becomes about using tea bags twice to save money…boring.

Like a lot of things in life we often look to external factors to blame for our state. If we do that we won't push through our barriers.

I have had people come through my door, ridiculously well educated, they've read all the books, finance not a problem. But they have amazing reasons for doing nothing.

These aren't valid reasons – they are just excuses. When we do this what are we excusing? We are excusing the fear of what could go wrong. What could go wrong? You are afraid of losing money. Losing money you have worked so hard to save. Or worse yet – losing money you don't have and then being beholden to the bank. But how founded are those fears? You could lose a tenant or have them trash the house – and lose money. Interest rates could go up and you might not be able to afford the mortgage…and then must sell your property and then maybe…lose money…but how real is all this?

There is no guarantee in life. Yes, the world could blow up and Martians could land and invade and take over our bodies via the neural lace Elon Musk wants to sew on to our brains. But really?

So the question is how do you get your head straight? How do you tame the demons in your head that say it will all end in an apocalyptic mess? How do you sort the things that are real risks from things that are just shadows?

Barrier 2 – EXPERIENCE

Knowledge is not a barrier. In this day in age you can get all the knowledge you need to invest in property through Google. You almost don't need a book. There are a million websites, blogs, videos giving you lots of 'how to'. If you sat and read on the web for a week you could accumulate all the knowledge you need to get going in property investment.

Knowledge is not a problem. The real problem is lack of experience.

I went to high school, then 3 years doing a commerce degree. How useful do you think I was when I went on my first audit job with Price Waterhouse? Not very – which is why the first thing I was given to do was add some numbers. Quite literally. I had taken an audit paper at Uni and knew debits and credits – but I was next to useless on my first day as I had no experience. And it got worse, on the first week I asked about 1000 questions. I got told to stop and think about it before asking my next question. I hadn't even learnt how to think properly.

How did I get experience? Doing the work. Hit a road block, think about it, think about it more, try something, fail – ask a question…finally get it right. Get reviewed by my manager. How did all this training happen? Through a work experience plan that Price Waterhouse put together for its graduates.

So if you have read 2 – 3 books on property investment. Stop. Don't read any more. You don't need more knowledge – you need experience. You need to start practising what you have learnt.

Erskine + Owen Director Lisa Phillips is an ex professional race skier and then coached the rich and famous in Vail. She's coached many US Olympic skiers in their formative years. Ask her…how do you become a great skier? Guided mileage. You get a lesson – you go away for a day, do it, come back for another lesson. Ski for a few days – come back etc. etc. You don't do a degree in skiing in a lecture theatre and thus become a great skier. A great skier is on the hill every day – with guidance.

Property is practical – you must get out and just do it. Read something – go and practise it. Talk to someone – go and do it. The key though, is to get the experience in the right order. To use the skiing analogy again – rule number one is not to take a beginner straight to the top of the mountain. Why? They get freaked out, they hold on for dear life, they get "back seat" and then it all turns to custard. You must start out on the beginner slopes and learn the basics and work your way up the mountain as your skill level can handle it.

So how do you go about getting the right experience? How do you get the right exposure in the right way?

Before we answer that – let's talk about the 3rd barrier.

Barrier 3 – TIME

You might be one of those people who has just jumped straight in and started acting – you aren't going to let lack of experience or fear of what could go wrong stop you – so you've just gone out and done it. You may have spent lots of weekends looking and hours on the net. But life has a funny way of getting in the way – what will take precedence – your brother's wedding or that open home?

Then you have a couple of big weeks at work, then you go on holiday. Now you've lost momentum, and it feels like you must start from scratch. So you go out and think – stuff it – I'll just pay what I have to get the next property I like, if I just pay the asking, then job done…because….I can't afford to keep spending this amount of time on searching. Hmm…how much will you overpay?

Or – you want to do it. You want to make it happen – but you just don't have the time or experience and you really don't want to get it wrong. You work full time, and you have a family you want to be with. The last thing you want to do is spend time on the weekend trawling open homes, when you could be hanging out with the family, or simply getting work done.

To do property takes time… and patience.

I like driving cars, but I hate the process of buying them. So I tend to buy new cars, and that process is straight forward – select the car we like and the colour, negotiate with the sales person to get some car mats and a tow bar thrown in and Bobs your uncle. You know the price you are paying is market value. You know the car is new and there is a big company that will stand behind the car.

Property, however, is not like buying a car whether it's existing or new. When you see a property you like there is a lot involved – what's it worth, is the building solid, is the building consented, is the land OK, is there anything problematic with the street, are there upcoming changes to the suburb you should know about? OK, so let's put an offer in. You prepare your offer (copy and paste some due diligence clauses from the web you hope are right) and put it in, then you get told another offer has come in and you need to put your best offer forward. Is that true…how do you know the agent is being up front? So now you have to down tools and act fast. Then you find out the extra toilet isn't consented. Then you find out your offer is $40k more than what your valuer tells you it is worth. Or…. the other offer has better terms and you are back to searching…again.

So do you have the time property demands - to do it well?

If not, how do you create that time? In some ways this is the hardest challenge to solve on your own – we can sort your head out – we can get you the experience if you get out there – but if you don't have time… well you don't have the time. There are some things to do to make you more efficient, so that might be enough for you. But if you still don't have enough time you'll need to look at other options. But don't worry – we can help with that as well.

OK so now for the solution that will make a huge difference…

THE SOLUTION

So what is the **ONE** thing that makes a massive difference and sees people create the portfolios they need?

It's a tailored ACTION PLAN

For 15+ years, as a CA and an AFA, I have been helping people put together property investment plans and then either watching them head out and do it, or else do it for them. We have seen people build great portfolios and great wealth – starting with a **PLAN**.

Plans really do work. They work – because they get agreement on direction, look ahead to what could go wrong and the barriers there might be and then makes action plans to avoid the barriers altogether or have solutions of what to do if we hit barriers.

And the reason this works?

Because psychologically you are expecting it, so if you do get halted you aren't like a possum in head lights. Secondly it allows you to get moving again quicker or keep moving – thus keeping the momentum going.

Have you ever been out running and you have to stop for a nature call? How hard is it get going again? Or your own work – you have a report you are writing – you are midstream – headphones on listening to AC/DC (OK that's just me) and then you get called away all afternoon xsssto a meeting. How hard is it to get back into the report? I find it takes about 20 minutes to get into the flow again.

Finally, a **PLAN** works because it clears the head. It means a lot of the decision making is done upfront of what to do and how to do it. Your head isn't loaded up with – oh gosh, there is this new property in a street I hadn't thought of – do I look at it or not. A lot of times something can seem a lot harder than it is because we just haven't sat down and worked through how to approach it. But once we think it through – we wonder what the fuss was all about.

So let's go through these – and then I will take you through a real example of how we did this for one of our clients and the wealth they created as a result.

The solution is quite simple – you need a PLAN that:

1. **Sorts your head out** - addresses your fears by clearly articulating the detail of each of your fears or risks and what to do to mitigate the risk.
2. **Gets the right experience** – how you will personally get, or outsource to get, the experience required to execute your risk mitigation.

3. **Creates the time** – a plan for spending the time to get the experience. Either spend it yourself or pay someone to spend that time for you.

Head

So what are you afraid of? Afraid of no tenants? Bad tenants? Afraid the market is too heated? Afraid the market will drop? Afraid you'll buy the wrong property?

Well let's boil it down. It's…the fear of what could go wrong if we act.

So right here is the clue to the solution. What we need to do is to analyse all our actions, the consequences of our actions – good and bad – and then…**PLAN** what to do if those consequences materialise. Then…act.

So the process is:

1. Verbalise and write down all your fears and concerns with regards to investing. Let's call these risks. Identify whether they are real or perceived risks and discard the fanciful invading Martian type fears.
2. Find ways to mitigate the real risks.
3. Act!

The importance of Verbalising

While I now find it easier to buy property than choose a shirt to wear, I still face challenges. A few years back we were buying a lifestyle property and I was anxious about whether it was the right decision – I chatted it through with 2 people. They helped me get my fears out of my head and helped me to see my concerns for what they were: purpose – great family experiences and memories, affordability – yes it could work. It also helped me identify the key things I needed to address to bring my 'stress levels' to a normal level.

I've been interviewing people for 15 years about their main concerns. Is one of these you:

1. **Interest rates** go up and I can't afford to pay the mortgage. Fair enough too. So what can we do to avoid this situation?
2. **Tenants** – I can't get tenants, tenants could ruin the property – say by cooking meth. OK – that could happen – but how do we prevent it?
3. **Price drop** – the market takes a tumble and I lose money. Then what?
4. **I buy wrong** – I buy in the wrong suburb, or the wrong property, or I pay too much…
5. **I don't get capital gain** – I buy a property – hold on to it for years and it doesn't make money.
6. **Not enough in retirement** – we don't do enough and end up in retirement with just the Government pension.

So really it falls into three categories

1. Fear of getting the purchase wrong (wrong price, wrong location, wrong land, wrong house)
2. Affordability (interest rates, loss of salary/ business income, unexpected property costs)

3. Losing or not making money (market timing, major property damage, not doing enough)

Let's put all this together

Below is table with common fears and some suggested solutions. This is by no means a comprehensive list – but the idea is that it kick starts you.

	The Risk	The Solution
The purchase	Pricing	• Sufficient comparable sales analysis to get comfort around price.
	Location	• Sufficient research around population statistics, socio economic trends, district plan rules and proposed changes.
	Land	• Understand how land drives value, flood plains, development controls, erosion, contamination.
	Dwelling/ building	• Understand LIM, property bag/ file, consents (under current building act versus old), cladding type, typical risks with each type and age of property.
Affordability	Rising interest rates	• Closely monitor rates – lock or break rates where appropriate. • Set aside a 'fighting fund' in case you get caught out for a period of time. • Understand your break even and cashflow impact to each lift in interest rates. • The importance of multiple banks.
	Loss of salary/ business income	• Insurance, fighting fund. • Worst case scenario – can you sell the property and relieve the debt.
	Unexpected property costs	• Insurance. • Fighting fund. • Know what typically goes wrong with properties and invest in preventative maintenance.
Losing or not making money	Market timing	• Understand the fundamentals of demand and supply and how to analyse these drivers to determine where in the cycle we are and whether to buy/ sell / hold.
	Bad or no tenant	• Understand the principle of prevention is best form of cure. • Inspections. • Treat it as a business.
	Major damage	• Insurance! And the right type. Understand when insurers might not pay out on investment property and what to do to mitigate.
	Not doing enough	• Decide what income you want in retirement. Do this by describing your dream retirement then calculate what money is required to pay for that lifestyle.

Experience

Righto – now you have identified what the key risks are and what you need to do to mitigate them. Now you need to go and get the experience of doing it.

For example. You have a fear of paying too much for a property. Your solution is, that before putting in any offer you will complete sufficient comparable sales analysis so that you get sufficient comfort you are not over paying (or a common mistake - under paying in a hot market).

How do you get that experience?

If you are going to do it yourself there are some steps you will need to take:

- Access to REINZ – sales get registered here sooner than any other site – and the more recent the sale the more relevant it is.
- Understand how to select properties to compare to – e.g. what if there are no recent comparable sales in the subject street? Say your property is a 3 bed on a full site – do you look at the 3-bed sale on the ½ site in the same street – or you do you look at the 3-bed full site sale 3 streets away? And how do you account for a land size that is a bit smaller? You will probably need to sit with a friendly valuer to get some tips if you are going to do it yourself.

The alternative?

Outsource it - get a valuer involved before putting in an offer. Or…use a buyers' agent like Erskine + Owen whose business it is to get pricing right.

So now the table needs to be extended to look like this

Risk category	The Risk	The Solution	Execution
The purchase	Pricing	• Sufficient comparable sales analysis to get comfort around price.	• REINZ access. • Coaching on how to do it.
	Location	• Sufficient research around population statistics, socio economic trends, district plan rules and proposed changes.	• Read council reports. • Analyse Dept statistics data. • Form opinion.
		• Etc etc	

Time

Now you have a PLAN. But it's not an ACTION PLAN.

An ACTION PLAN needs times and dates entered. You need to plan the hours and dates you will put into it. This might sound a bit full on – but from experience we have found that unless we have a disciplined approach to making time available – it just won't happen.

At Erskine + Owen we obviously have the advantage that we do this for a living (vocation), so our daylight hours are dedicated to the task. But if you go it alone you need to make the time available.

Not all of it can be planned. A lot of times you just have to jump when a property comes up, or countersign when it is required if the you are in the middle of a negotiation. Now the table should look like this:

Risk category	The risk	The Solution	Execution	Timing
The purchase	Pricing	• Sufficient comparable sales analysis to get comfort around price.	• REINZ access • Coaching on how to do it.	• 2 hours every night.
	Location	• Sufficient research around population statistics, socio economic trends, district plan rules and proposed changes.	• Read council reports. • Analyse Dept statistics data. • Form opinion.	• Sat mornings
		• Etc etc		

At this point you might be thinking – its sounding too hard – I'll just go out and buy something put in front of me.

But hang on – here are just a few time saving tips that we use:

1. **Buying brief**. Write yourself a buying brief. Before we get going with a buying assignment we document exactly what and where we will buy – in lots of detail. This is a really effective way to stop your mouse clicking anything and everything. If you have an hour at night or lunch to search properties you only want to be looking at properties that are relevant to your spend level and will achieve your goals.

2. **Let your mouse do the clicking**. Resist the urge to jump off your seat and go looking at properties because they look magnificent in the photos. Have your checklist of requirements beside you (that you documented in your buying brief and tick them off.)
   - Full site – do they tell you the section size? If not, it's probably a cross leased ½ site.
   - 90s/m dwelling – do they tell you the size? If not get on Property Guru or Property Smarts.
   - No State housing in the street. You get the idea.

3. **Talk to the agent.** The sales agent is your best source of info. Don't muck around with properties where the vendor is not motivated enough and they are just testing the market. But you need to build a great relationship with the agent to get real insights.

TIME TO DECIDE

You now have three choices

1. Do nothing (remember – waiting is really doing nothing).

2. Make your plan – address your fears, get experience, spend the time – take action!

3. Focus on what you are good at – keep focused on your daily job and friends and family - then, get an expert, like Erskine + Owen – to help you plan and build your portfolio.

SO HOW CAN WE HELP?

Well we are a licensed buyer agency. We can make the whole acquisition happen for you and by now you have probably got a sense for some of our experience.

But my preference is always to start at the beginning.

Our preference with clients is always to start with a PLAN and then go from there.

So why is it that a PLAN makes such a big difference?

Firstly – it sets the target.

It helps you and your investment partner get really clear about what the goal is. But really, that's just the start, a goal is just a wafty dream unless it has a really clear **ACTION PLAN** around it.

And the reason this ACTION PLAN is so, so, critical?

It addresses in advance all the barriers we see investors come up against that frustrate and scare them, and ultimately see them not start or give up.

Let me show you how we put a PLAN together for a client – then made it happen – and he has now made over $2m… in A Client Success Story…

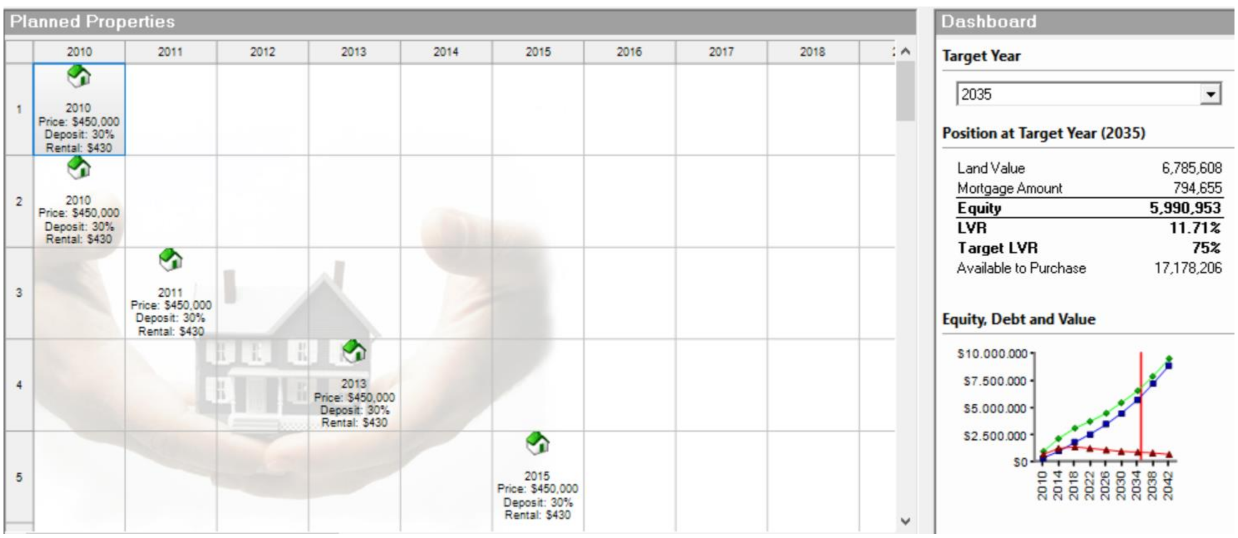
A CLIENT SUCCESS STORY

The Challenge

Back in 2010 we got an email from a Kiwi working in Singapore with a good job and enough for a deposit on a house. His challenge was that he was offshore and didn't have the time or interest to look for property. And of course there were the obvious logistical challenges.

The Plan

The first thing we did was put together a plan for this couple. At E+O we have our own planning software and below you can see that we mapped out a plan for buying 5 properties over 6 years. The end target date was 2035 where we forecast they would have generated $6m of equity and would have a passive income of $360k gross income. Sound fanciful? Well let's check in with what we did where they are at now.



The Action

As you can see we planned to buy 5 properties. As part of the planning session with us (we did this over Skype and I shared my screen) we looked closely at finance, cashflows, tenancy, buying strategy etc. This helped to answer a lot of questions they had floating around in their heads…and calm the fear chatter.

From there we took them into a buying profile session. This is where we get really detailed around exactly where and what we would buy. It completely removes the FOMO factor – you hear about a property deal in Timbuktu…is this the deal of the century… its sounds so sweet. A buying profile stops all that. Once you have agreed where and what you buy, when a property is put in front of you – you simply check the buying profile – is it in or out of brief?

Our in-house mortgage broker arranged the finance for them…negotiating great rates with the banks…and then... we went out and bought them the properties. Below is what we bought for them.

All of these properties were bought very strategically in terms of location, street, land size and type of dwelling. Otahuhu might seem like a really sensible investment suburb now – but back in 2010 we had a hard time convincing clients they should invest there. Fortunately for this client they believed our research and rationale. Existing dwellings in lower social economic areas is not always the strategy, we started recommending Queenstown back in 2013/14 – we bought a land and build package for the client and oversaw the delivery of the completed product.

The key to all our purchases is that the buying profile is designed to achieve their goals. If it is capital growth that is the main driver, then that is what dictates our buying recommendations. We conduct in-depth research to make sure that key drivers of capital growth exist in a suburb – so that means sometimes it might be suburb that might not be the top end of town – it may not be the most attractive suburb – but it will be a place we believe will have greater than average capital growth.

So let's look at the results and see if we got it right.

Otahuhu
Sep 2010
PP **$295,000**
Rent $340 (6% Yield)

Glen Eden
Oct 2010
PP **$390,000**
Rent $400 (5.3% Yield)

Te Atatu
Dec 2010
PP **$415,000**
Rent $400 (5% Yield)

Te Atatu
2012
PP **$490,000**
Rent $420 (4.4% Yield)

Queenstown
2014
PP **$635,000**
Rent $570 (4.7% Yield)

The Results

Well…I think the results speak for themselves (see below). By late 2016 they had created $2.4m of equity. Not bad going. The values are our assessments of value, but I am confident a valuer would now put values greater on each of the properties.

How did that line up with the goals? The target equity by 2016 was $1.6m and the actual is $2.4m. We helped the client beat his goal by 50%!

	**Otahuhu** **Sep 2010** PP **$295,000** Rent $340 (6% Yield)	**2016** **$700,000** $440 (7.7% yield)	**Gain** **$405,000** (237 % gain)
	**Glen Eden** **Oct 2010** PP **$390,000** Rent $400 (5.3% Yield)	**2016** **$850,000** $550 (7.3% yield)	**Gain** **$460,000** (217 % gain)
	**Te Atatu** **Dec 2010** PP **$415,000** Rent $400 (5% Yield)	**2016** **$1,050,000** $500 (6.2% yield)	**Gain** **$635,000** (253% gain)
	**Te Atatu** **2012** PP **$490,000** Rent $420 (4.4% Yield)	**2016** **$1,100,000** $485 (5.1% yield)	**Gain** **$610,000** (224 % gain 4 yrs)
	**Queenstown** **2014** PP **$635,000** Rent $570 (4.7% Yield)	**2016** **$930,000** $750 (6.1% yield)	**Gain** **$295,000** (146 % gain 2 yrs)
	Total Loan **$2,225,000**	**2016 Value** **$4,630,000** (48% LVR) (Ave yield 6.3%)	**Total Gain** **$2,405,000** (6 yrs=$400k p/a)

WILL YOU ACT?

So you now need to decide, do you

a. **Do nothing.** Remember – waiting is really doing nothing.

OR

b. **Make your plan.** Address your fears, get experience, spend the time – take action!

LET US HELP YOU GET STARTED

If you have plans to grow your portfolio, but just don't have the **market knowledge, experience or time to make confident buying decisions** then you may consider using a buyers' agent.

WHO ARE ERSKINE + OWEN?

We are buyer's agents who have been successfully helping our clients build successful wealth generating property portfolio's for over 10 years. What makes us unique is our blend of commercial and financial acumen combined with over 20 years of property experience. We can help secure you a great investment property that suits your personal long term financial property goals.

We offer a personalised buying service for both residential and commercial properties, and an opportunity to take part in property syndication's. We focus on investment property in Auckland, Hamilton, Queenstown, and right across New Zealand.

ERSKINE+OWEN

www.erskineowen.co.nz | info@erskineowen.co.nz

+ 64 9 377 6463