

MAN ON A MISSION

He may only be 30, but this investor is in full control of an impressive cash flow positive portfolio worth \$4.1 million.

ANGELA YOUNG

Michael Xia's a man who knows what he wants when it comes to his property investing future – and what he wants is to quit the day job.

Thirty-year-old Michael has worked in online marketing for 10 years, but it's not exactly what you'd call his passion.

"I need to find an outlet where I can feel challenged and also find a way out [of my job], so the goal in the past one and a half years was just to accumulate as many properties as I could. My entire goal... was to replace my work income."

Having first purchased in 2004, Michael's really been bitten by the investing bug over the last couple of years, particularly since discovering a particular online forum (Somersoft), and his mission has taken on a life of its own.

His goal – to duck out of online marketing as soon as possible – edges ever closer and, in case it doesn't get here quite soon enough, Michael's also engaged a mentor to help him become a mortgage broker and set out on his own.

"Even now I've actually got a few clients that I'm working with from the mortgage broking space and I love it," he says.

"Just talking about properties all day, helping people go along the same journey I went through... it's a lot more satisfying than online marketing."

■ IN THE FAMILY

Having moved to Australia from China when he was seven years old, Michael grew up in Eastwood, New South Wales, in a family that understood the profitability in property. His parents – who've been running a supermarket for the past 15 years – owned a few properties here and there, he says, though it wasn't until a couple of years ago, when Michael was firmly under the spell of investing, that he convinced them to really build up their portfolio.

"When they started, they had about four properties," he says.

Having moved more into the property scene himself, Michael has encouraged them to branch out: "I actually purchased some more properties for them," he explains, "so now they can essentially retire."

“I selected people I felt had my best interests at heart, that had already achieved the things I wanted to achieve myself.”



WES LONERGAN

WATCH VIDEO



How he does it...

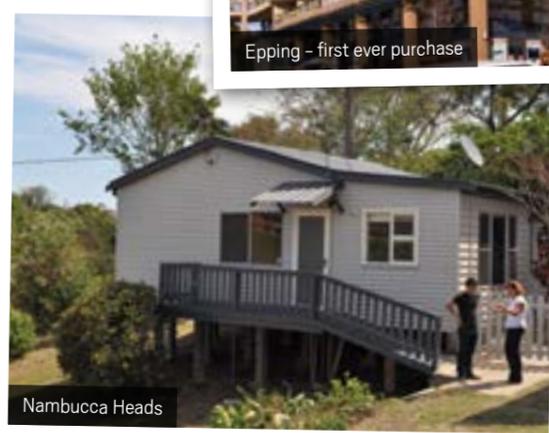
Use the button to watch a video of Michael walk through one of his renovations.



Cardiff



Epping - first ever purchase



Nambucca Heads

Scouring the newly discovered forum in the early days, he happened upon a buyers' agent with an intriguing tale.

"He was one year younger than me and I was blown away. At that time he had about 70 properties and I was sitting on two - I'd thought I was doing really well for myself. It just opened up my eyes to what was possible."

Signing up with the agent's agency, Michael purchased his third property, a three-bedroom house in Nambucca Heads, near Coffs Harbour.

"I learned a lot and it pushed my boundaries - instead of just looking in my backyard and where I live, it taught me to focus on the cash flow aspect, the numbers side of things."

Taking on the renovation project himself, our hardy investor found it tough but faith boosting.

"It gave me the confidence to go down that path and subsequently I did the Newcastle ones and then moved into Brisbane."

The 'Newcastle ones' were two houses in the areas of Cardiff and Gateshead.

"Back then Newcastle was pretty dead," Michael explains, "so I bought two fairly quickly, back to back."

"I bought the Gateshead property at a Wednesday night auction. There were two people there and I got it for \$195,000."

"The funniest thing was, there was another house on the same street that was up for auction at the same time, so the people had to be split."

"It was like all the stars aligned."

"I purchased it for \$420,000 in 2010 and last year it was valued at \$605,000."

After a small renovation, that house was valued at \$305,000, while the Cardiff house lifted \$105,000 after its revamp.

MOVING ON UP

At this point, Michael realised he'd "maxed his land tax" in NSW, but he still wanted to be out there purchasing properties.

"Everyone was saying 2014 would be the year of Brisbane... it didn't quite take off, but it was probably still a good time to be buying there," he says.

And buy he did. Two three-bedroom houses in Woodridge have been settled and are rented, without any work being done on them at all.

"I actually wanted to do renovations in Brisbane but I found that in terms of the numbers and the returns for the areas I was buying in, it didn't really work out."

"I could buy a property that needed renovation for \$230,000 to \$240,000 and spend \$15,000 to \$20,000 on it, which would put me about \$250,000 to \$260,000 all in. But I was seeing properties that were all ready done up and ready to be rented out for \$270,000 to \$280,000, so for the time, effort and risk with managing remotely it just wasn't worth my while."

When it comes to remote management, Michael certainly understands the importance of property managers.

"I manage the Macquarie Park one myself and that's only because I rent from my parents and we actually have four in the same complex - they have three and I have one. For all the others I use property managers, partly because there's no way I could manage it all myself, but I'm also a big believer in having a really strong team behind you."

The strong team philosophy is something Michael formed early on in his investment journey and has stuck rigidly to.

"When I first started out, I didn't just jump in," he says, referencing his Coffs

Harbour property (number three). "I spent about three months selecting the best possible team I could form - my mortgage broker, my solicitor and also my accountant."

"I spent a lot of time interviewing different people in each of those areas, and I selected people I felt had my best interests at heart, that had already achieved the things I wanted to achieve myself, and that could take me where I wanted to go."

"There were probably about three or four of each in those fields that I sat down and interviewed, and then I just selected one."

"That's the approach I take with everyone on my team - whether it be my property manager or my builder."

This conscientious selection process has left him with the same team since day one, except for a solicitor who didn't live up to expectation.

"I've stuck with them the entire time."

As well as having those in the know around him, Michael has been expanding his own knowledge with various forms of education.

"I definitely immerse myself in all aspects of education," he says. "The biggest place I learned from was the forum, and I went to all the talks that you could, but I always kept my wallet at home!"

"When I first started I read quite a few property investing books, and then I gradually moved on to more mindset books."

As well as continually propping up his education, Michael likes to socialise with like-minded investors.

"There are a bunch of us on the forum that are all around a similar age and I always catch up with them for coffee - just to bounce ideas off."

WHEN THE GOING GETS TOUGH

Not that everything has been plain sailing on Michael's journey, by any stretch of the imagination.

"There have been times when I've

THE NUMBERS MICHAEL XIA									
									SALARY: \$85K
Location	Property description	Purchase date	Property price	Purchase costs	Development/renovation cost	Weekly rent	Current value	Equity	Repayment costs per month
Epping, NSW	49 sqm studio	Jul 2004	\$340,000	\$2000		\$410	\$400,000	\$45,000	\$1433
Macquarie Park, NSW	2-bed, 1-bathroom unit	Jul 2010	\$420,000	\$10,149		\$470	\$605,000	\$63,000	\$2235
Coffs Harbour, NSW	3-bed, 1-bath house	Aug 2013	\$155,000	\$16,803	\$45,000	\$295	\$235,000	\$47,000	\$780
Cardiff, NSW	3-bed, 2-bath house	Oct 2013	\$225,000	\$9552	\$28,000	\$420	\$330,000	\$66,000	\$1065
Gateshead, NSW	2-bed, 1-bath house	Oct 2013	\$195,000	\$7335	\$20,000	\$295	\$305,000	\$43,000	\$1073
Slacks Creek, Qld	3-bed, 2-bath house	May 2014	\$280,000	\$9767		\$370	\$320,000	\$70,000	\$1016
Bethania, Qld	4-bed, 2-bath house	May 2014	\$270,000	\$9407		\$360	\$320,000	\$80,000	\$980
Logan Central, Qld	4-bed, 2-bath house	Jun 2014	\$280,000	\$10,227		\$425	\$300,000	\$45,000	\$1034
Kingston, Qld	4-bed, - bath house	Aug 2014	\$305,000	\$10,906		\$355	\$330,000	\$82,000	\$948
Woodridge, Qld	3-bed, 2-bath house	Jan 2015	\$375,000	\$12,772		\$560	\$375,000	\$74,000	\$1230
Woodridge, Qld	3-bed, 1-bath house	Jan 2015	\$260,000	\$9445		\$330	\$270,000	\$35,000	\$960
Beenleigh, Qld	4-bed, 2-bath house	Mar 2015	\$310,000	\$10,775		\$420	\$310,000	\$62,000	\$990
TOTALS			\$3,415,000		\$93,000	\$20,410 per month	\$4,100,000		\$13,744 per month

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WINNING ADVICE

Top five tips

Michael's a passionate investor with some strong ideals that he sticks to like glue. Here are his tips for successful investing:

- 1. SET YOUR GOALS.** "For a lot of investors I think their first question is 'where to buy', but I like to take it back to 'what are your goals?' A passive income stream, so you can leave work like me? Capital growth, so you can accelerate your wealth accumulation? Whatever your goal is will determine the strategies you use. When the 'why' of doing this is so strong, and you believe in it, you can push through the tough periods."
- 2. FORMING A TEAM.** "I think property investing's a team sport. There's no way you can do it on your own, and if you have people that have gone down the same path, that share your common goals and are loyal to you, you can go a lot further than if you were trying to do it by yourself."
- 3. INVEST IN YOURSELF.** "When it comes to the numbers and things like that, that will all come naturally – it's pretty easy to get your head round. It's more the mindset that limits people. For me, when I first started, the issue was buying outside where I grew up. Afterwards it was buying interstate. Your personal mindset actually determines a lot about whether you succeed or you don't succeed."
- 4. FOLLOW THE NUMBERS.** "I try to not let my emotions get involved in the decision-making process. If you know your numbers – how they affect your goal – it makes the decision-making process a little easier."
- 5. TAKE ACTION.** Don't hesitate out of worry. "I've made so many mistakes, what with off-the-plan and buying in Nambucca Heads (where only retirees go and there's not much capital growth) but even in hindsight, even though they weren't perfect and I would have done things differently, I'm still glad I made those mistakes, because it's allowed me to learn from them."

thought about giving up, many times, but because my 'WHY' was so strong (i.e. quitting work – I didn't want to stay here... I saw the people at work and didn't want to be them in 10 years' time) that to me was more of a motivation."

And the highs have been pretty good, too. Asked to name a favourite property, Michael pinpoints his second ever purchase, the two-bedroom unit in the same complex in which he lives.

"The one that made me realise property investment could go somewhere was probably Macquarie Park.

"I didn't know too much at that point, but I purchased it for \$420,000 in 2010 and last year it was valued at \$605,000. I honestly haven't done anything to it, I just bought in a good capital growth

area, around good infrastructure – they put in a train line in Macquarie Park. It's right next to the university, so it's never vacant. They've expanded Macquarie shopping centre recently, too, so it has a lot of good things going for it.

"It was partly luck," he admits. "The parents of one of my high school friends do a bit of property investing and I was chatting to them. They said 'we just live off the rent, we just go around Macquarie Park (they own a few villas and units there) and collect the rent'. That's all they do. I purchased in the same complex they purchased in because I thought it worked.

"At that point I was obviously subconsciously listening to someone that had done what I was trying to do, and

that's actually worked out really well. But I did no research whatsoever, I just took someone's blind advice!"

The immediate future for Michael looks filled with securing his place in the broking field – but that doesn't mean his portfolio is finished.

"I would say realistically, with the business, I probably won't be purchasing for the next three or four years," he says. "The tax returns in the first one or two years may not be enough for me to borrow more from, so probably looking at the third or fourth year.

"From then on I guess it just depends how the business goes. Maybe I'll dabble in development.

"The sky's the limit – if it allows me, I'll just keep accumulating." API

WES LONGERAN

EVALUATING PROPERTY IN A CHANGING MARKET



As sellers hear more and more positive news about the upward movement in the Brisbane property market, buyers are facing interesting and challenging market conditions in 2015. Zoran Solano

Comparative sale statistics in the last half of 2014 were very sporadic and the price of property is getting harder and harder to pinpoint – even for selling agents. A lot are listing property with no price, merely "For sale", or they're taking property to the market with an "offers over"-style marketing campaign.

This is putting added pressure on the consumer, who's finding it harder to determine fair market price for property. Here are some of my helpful hints for comparing and contrasting property to assist in the market appraisal of a property.

1 Location. When buyers are comparing recent sales to a property of interest they need to ensure they're comparing properties from similar locations. For example, if you were to look at properties within a 1.5-kilometre radius you might find you pick up sales in the next suburb over. In Brisbane this can often mean a difference in price as the postcode can affect a sale price by tens of thousands of dollars, so ensure when you're comparing sales that you take note of the suburb, not just the proximity to the property you're interested in. Don't forget, too, that not every street or pocket of a suburb is equal, either. This is where local knowledge and research comes in to play.

a. Compare apples with apples. I say this all the time – every property is unique and this is why I love buying and investing

in property. You might have two houses in the same street, same suburb, same block size and same bedroom-bathroom configuration, for example three-bedroom and one-bathroom. Are those properties worth the same amount of money? Probably not. You might find one is a high-set home with heaps of storage and value-adding potential, while the other is lowset with zero storage and a kitchen in the middle of the house that's difficult to add value to. Remember to look for properties that have potential and recognise that potential when pricing a property.

2 Make a list and check it twice. When you're looking at two properties and you want to compare and contrast, always make two lists, one of the positives and one of the potential negatives. Examples of these could be while inspecting the property you noticed the back stairs are beginning to wobble and don't look too safe. As an investor that replacement after settlement could cost you \$7000. That's a fair chunk of money that isn't going to give you any increased rental nor will it give you a higher bank valuation. That's a negative. Nevertheless, a lot of negatives can be outweighed by positives, so look at the big picture and don't get lost in the detail.

In general, if there are more than three negatives about a property we walk away. Maybe that's a strategy you can use?

Zoran Solano from Hot Property Specialists Buyers Agency in Brisbane has established a reputation to be one of Queensland's top buyers agents. Helping clients secure top performing investments, and wonderful family homes www.hotpropertyspecialists.com.au

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