

SPECIAL REPORT

# WHERE INVESTORS ARE BUYING NOW

Pretend for a moment that you've suddenly been gifted the opportunity to invest in any property (or properties) you like, with \$1m worth of buying power at your disposal. What - and where - would you buy?



**IT'S THE** investing equivalent of winning the lotto: "If you received \$1m today to invest, how would you spend it?"

This is the question we posed to a number of former *Your Investment Property* Investor of the Year winners and runners-up, in order to get their top tips and strategies for property investment.

Our goal was simple. We hoped to get a great range of ideas and advice, direct from

successful investors who had managed to turn their property goals into action, so we could help inspire our readers to think about the opportunities that are out there.

And did our investors ever deliver!

In a testament to the fact that investing is a truly individual journey, with a number of different options available to suit different

risk profiles and strategies, we received a broad range of ideas, strategies and suggestions.

We hope that over the following pages you will be inspired to think about your next move so you can take another next step forward in your property investment journey. ➤

## RULES OF ENGAGEMENT



### Deposit

For the purpose of this exercise, we assumed our investors had access to a deposit of \$200,000



### Funds

Our investors also had borrowing power of \$800,000, giving them a total of \$1m to invest with



### Tax

For simplicity, we assumed that no limits (such as postcode restrictions and investment loan parameters) were in play

INVESTOR

# PRUE MUIRHEAD

Investor of the Year 2009

*Since winning YIP's Investor of the Year Award in 2009, I have travelled Australia in a caravan with my husband for two years, home schooling our two children along the way. I sold a CBD commercial building and purchased another five properties, bringing our portfolio to a total of 18 positively geared properties with 100% lend/borrowings. Plus, I have built my own dream home and started a property management business in Adelaide, called Muirhead Property Management.*

**IF** I were given \$1m to invest now, I would most likely do a property development. I have always been a 'buy, renovate and hold' investor looking for positive-geared rental returns and capital growth; however, my bucket list involves a property development. As I have never done a development before,

I would most certainly use my \$1m towards this.

There are many locations in the South Australian metro area where you can buy a decent block of land for \$400,000–\$450,000; these areas include suburbs in the City of Marion council area. I would buy a block of land (750sqm) for around the \$400k mark and build three townhouses on it, at \$200,000 each to build and with 250sqm of land each.

The City of Marion council area is close to the beach, the Adelaide CBD, Flinders University and public transport, and is only minutes from Westfield Marion, which houses over 300 specialty shops and anchor department stores – plus the southern hemisphere's largest cinema complex.

My strategy has always been to buy and hold. Once these three investment properties were built, by holding them my

Prue Muirhead  
Investor of the Year  
2009



\$1m development would return me \$1,350 per week, at \$450 per property in rental returns (\$450 per week x 52 weeks x 3 properties = \$70,000 per annum gross returns per year, or a 7% return).

The tax savings would be considerably large as I could claim for depreciation with these new properties. Once built, the true value would be approximately \$450,000 each, making the total end value \$1.35m. I would not sell these properties as that would mean I'd have to pay capital gains tax and GST; instead, I would hold them for at least five to seven years.

The next benefit would be to hold all three properties for the long term. Most of the areas in the City of Marion have seen an average of approximately 5% capital growth over the last 10 years. Using these historical figures, my \$1m development would actually be worth approximately \$1.72m in five years, and \$1.9m in seven years.

Over this period of time, the capital growth alone would give me an additional \$800,000 in wealth over seven years (\$800,000/7 years/52 weeks = \$2,197 per week for seven years!).

Plus, I would have a positively geared property, with a rental income of \$1,350 per week.

Simply put, my \$1m investment (which could stretch to \$1.1m to allow for stamp duty and the additional costs of developing; it's important to allow for contingencies) would end up bringing me over \$800,000 in profit/capital growth over seven years, plus \$500,000 in gross rental income (before expenses).

Therefore, I would achieve \$1.3m in profit/income in total (\$800,000 + \$500,000), which is 11.6% per annum compound growth (6.6% rental yields + 5% capital growth per year). I certainly couldn't go to work and save \$3,571 per week for seven years, so I'm thinking this is a good deal! ➤

## HOW WOULD I INVEST ONE MILLION DOLLARS?

**3 brand-new townhouses (development)**

