

# Minimal effort, big return

Prue Muirhead made a profit of close to \$170,000 by buying a block of units sight unseen and strata titling them from afar. ANNE ALEXANDER

“I’ve made the biggest money in property since October 2008,” declares Prue Muirhead.

It was only then, around the time that the global financial crisis (GFC) took hold in Australia, that this now 42-year-old really started to get serious about property investing.

Of course Prue hasn’t just been buying and holding these past four years. Rather, she’s been manufacturing capital growth in various ways.

A block of four units Prue purchased at the end of 2008 in the regional Victorian town of Mildura is a great example of the success she’s been having by manufacturing capital growth. While growth in the town has been flat over the past few years, Prue increased the value of her asset by nearly \$170,000 after strata titling the units late last year. And if this 53 per cent profit wasn’t enough, the units are now positively geared by more than \$8000 per year.

“The area of Mildura I bought in has had less than one per cent capital growth over the last three years, so the value of the units would have been similar to the purchase price if I hadn’t strata titled them,” Prue says.

Prue excitedly points out that this hefty profit was achieved with “very little effort”.

She bought the units on one title for \$320,000 with the intention of strata titling them, something she’d seen her parents, who were both real estate agents, do successfully many times.

At the time she already had seven properties under her belt and was fairly confident when it came to investing, buying the block sight unseen.

“I had to convince the agent to take our offer of \$320,000 to the sellers, because she thought it was just too low, but then she came back 24 hours later and said they accepted it, so we got it for a great price,” she recalls.

“The process of separating the four units onto single titles cost me \$12,000, plus a few signatures, and I did it while travelling around Australia in a caravan with my family.”

The four two-bedroom units in the Mildura block are each rented for \$145 per week, which gives Prue a gross yield of 9.43 per cent, and once she carries out her plans to renovate she anticipates the rents will increase to at least \$165 per week for each.

“If I was to add dishwashers and furniture I’d expect to receive \$190 per week rent per unit,” she adds.

“This would give me more than 11 per cent gross returns.”

Prue notes that to buy the Mildura block of units on one title she had to get a commercial loan, which is much more difficult to obtain than a loan for a standard residential property.

Her logic, therefore, was that by strata titling, she would be increasing buyer demand for the units.

“Naturally there’s a larger number of people looking for a property in the \$100,000 to \$150,000 price bracket on a standard residential loan than an investor with the ability to borrow on a commercial loan basis,” she explains.

“So the answer is simply supply and demand.

“I’ve been able to change the title and taken these units from a low demand investor market to a high demand homeowner/investor market with very little cost or effort.”

Prue was able to produce the 40 per cent deposit required for a commercial loan from equity in seven of her other properties.

While Mildura hasn’t yet seen the growth that Prue anticipated, she’s confident in the region’s future.

“Mildura hasn’t yet had the growth I

assumed it would, but that’s probably because I bought around the time of the GFC. It has many driving factors – there’s more than one industry there, the population is solid and it’s a strong region.”

Prue first dipped her toes into the property market in the late 1980s, when she was 19, buying a house at Morphett Vale in Adelaide.

Although she now reflects on this investment as a good one, Prue lost interest in dealing with tenants and decided to sell six years later.

It wasn’t until around 12 years later that she got back into the market as an investor again. She bought her home at Brighton in Adelaide in 1997 – which has more than quadrupled in value – and also bought a commercial property in the early 2000s to house a business she was running, but Prue recalls that she didn’t start seriously investing until the late 2000s.

The first property she bought then was a two-bedroom unit at Hove that was – and still is – negatively geared.

At first Prue adhered to a buy and hold strategy, but that quickly changed and overall her 14-strong property portfolio, which has a total value of \$3.5 million, is positively geared.

“My strategy now is to buy under market value, do a cosmetic renovation for better rental returns and hold for capital growth,” she says. “I then use each property as a bank account and draw down on the new equity to purchase other properties.

“I now only buy neutral or positive geared properties in areas with a good chance of capital growth in the short to medium term.” **api**



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