

Nobody said it was meant to be easy

Trying and unpredictable are words that pretty much describe the property-investing journey Brett and Maria Amos have had so far. But their strategy of sticking to bullet-proof suburbs is delivering financial dividends, so they're not complaining. **Tracey Joynson**



WA investors Brett and Maria Amos

One of their tenants died, another did a runner leaving weeks of unpaid rent and then to put the icing on the cake, a group of tenants was thrown out after it was discovered they were prostitutes. But none of this can dampen the enthusiasm of Karrinyup couple Brett and Maria Amos for property investing.

I guess that's what happens when a buyers agent teams up with a mortgage broker.

Mind you, neither of them were in their current jobs when they met and married eight years ago.

Brett had moved to Western Australia from New South Wales and was working as an agricultural research and development chemist and Maria worked in a truck yard as a business manager.

Their first forays into property investing happened before they met – Brett bought an investment property in Budgewoi in 1996 before he left the NSW central coast.

“Looking back at it I shouldn't have bought it,” he says.

It was close to where he lived, the rent was good and the original tenant stayed for nine years before she died.

But the value of the two-bedroom, one-bathroom property about 5 km from the ocean hardly moved for years.

“I said to Brett get rid of it,” Maria admits.

But suddenly, within six to eight months in 2001, the value jumped from about \$95,000 to \$120,000.

“It's done alright now since the boom,” Brett says.

“That's the key – you don't sell property.”

Maria bought a block of land and built a house with her former boyfriend in 1996 but they split before it was completed.

“When we sold that I was left with \$7500,” she says.

She wanted to buy a rear-projector TV and thought about using the money for that, but instead she got a loan for the TV and bought a three-bedroom, one-bathroom fibro house on a big block with development

ANNALESE FRANK

potential in Cloverdale, Perth, in 1997 for \$99,000 with a loan of \$91,000.

Maria says she would have made the wrong choice if she had only bought the TV because it has since stopped working and now sits in the garage.

The house, on the other hand, is currently worth about \$450,000 and rents for \$135 a week.

But another investor might have been tempted to sell the house along the way because in 1998 the tenant, a young single mum, did a runner.

“She left me high and dry for six weeks' worth of rent,” Maria says.

And it took three months to get another tenant in the property because the rental market at the time was flat.

The timing of the tenant trouble

■ “She left me high and dry for six weeks' worth of rent,” Maria says.

wasn't the best – Maria and Brett had just returned from their honeymoon and Maria had just started finance broking.

“Most people would say just sell it but the tenant's been in there since February 1999,” Maria says.

It all happened before she knew about loss of rent insurance and learned to trust her instincts about property managers.

Maria says she didn't like the property manager at the time and sacked her after the tenant ran because it took her so long to discover that she was gone.

“I spoke to the principal (of the real estate firm) and she said ‘welcome to the world of investing’,” Maria repeats with disgust.

“We found a really good property manager that we use all the time now.”

Recently they sold Cloverdale to

Maria's company to reduce the debt on the house they live in without losing an asset.

She took the capital gains tax and stamp duty bills on the chin.

First joint purchase

In 1999, they decided to buy their first property together and Brett gave Maria the area around the Perth suburbs of Innaloo, Tuart Hill and Yokine to choose from but she pushed a bit further to buy in Doubleview.

They stretched their finances to pick up an old returned soldier's home in need of a bathroom and kitchen renovation on a block with triplex potential on busy Huntriss Road for \$185,000.

It was the first mortgage loan Maria had ever written and she says they even had to get a personal loan to pay the stamp duty.

“We really stretched ourselves with our LVR (loan to value ratio) at 90 per cent,” Brett says.

The couple was living with Maria's mum at the time because her dad had recently died and they weren't planning on moving into Doubleview.

But Maria's brother decided to build a new house and he moved in with their mum so they decided to move into Doubleview.

They started renovating and initially the plan for the kitchen was just to paint the cupboard doors but Maria decided to pull it out and put in a new one.

She says it was easy to rip out and took about two days to put in the \$2500 kitchen flat pack from Bunnings which she had loaded into her Hyundai hatchback.

Brett thought she was joking when she told him she had the kitchen in the back of the car.

Maria and her mum repainted while Brett tiled over the existing bathroom floor and revamped the shower recess for about \$700.

Brett's attitude towards renovating is “never again”, he'd rather pay people but Maria says: “I love it”.

They always had a five-year plan to redevelop the site but started early

because Maria had fallen pregnant and wanted something new that was air-conditioned.

Maria says they were with Westpac at the time but they would have had to go through the commercial division to get approval for triplex funding.

She didn't want to do that so they refinanced Doubleview and Cloverdale through a building society. The building society allowed them to borrow \$401,000 – enough for construction.

They rented in Yokine while building three townhouses on the Doubleview block and in the middle of it all bought a new villa in the rundown suburb of Nollamara.

Brett says they really had their eye on a corner triplex block but couldn't raise the \$165,000 needed to buy it.

"It's been developed as townhouses – we're kicking ourselves about that one," he says, because triplex blocks in Nollamara are now worth about \$550,000.

But they worked out they could borrow up to \$140,000 and bought the new front strata villa in a cul-de-sac for \$128,000.

"We don't normally buy villas," they say, but it was in a good pocket of Nollamara.

It also neighboured the "New North" urban renewal program which reduced the amount of public housing and revitalised nearby suburbs.

For sale

Once the triplex development was

■ **Brett thought she was joking when she told him she had the kitchen in the back of the car.**

completed in September 2003, they sold the middle villa.

At the time, Maria was bulging at the seams – pregnant with their second child – and was busy moving into the back townhouse during a weekend when Brett was away watching the Sydney Swans play in a preliminary AFL final.

It was the same weekend they had the first open inspection on the middle townhouse and Maria says it was when the property boom started.

The real estate agent hadn't yet put a for sale sign up but had put it on the internet and advertised it in the newspaper with a price tag of \$299,000.

"It sold in the first 20 minutes for \$1000 less than the asking price," she says.

"We were really pushing it," Brett says.

They had to sell to reduce debt and they had to rent the front unit which was difficult because the boom was in sales not rentals.

By that stage Brett was working part-time and looking after their daughter Briana because they had a deal that whoever earned the most money would work and the other

would look after the kids and the dog, Feebie the dalmation.

Briana was born in January 2002 and after Anton was born in January 2004, Brett began looking after the children full-time.

In December of 2003, they found an old house in Karrinyup that appealed because it was on a level block and had a north-facing rear.

This made it perfect for their plan of building a new house for their growing family.

They were negotiating on Christmas Eve, going backwards and forwards, and finally secured the property for \$342,000.

After renting it out for three months, they knocked it down in preparation for the building work but it sat vacant for months until the pad was eventually laid in September.

After patiently waiting for their house to be completed in the midst of Perth's building boom, they finally got the family home they wanted.

They moved into the property in November 2005, a week before boarding a plane to Mauritius for a holiday. But they recognise that the new family home is slowing down their property investing and they're sacrificing having three or four more investment properties.

They also sold another Doubleview townhouse in 2004 – this time for \$338,000 – to ease their debt burden.

In the latter half of the same year, Maria urged Brett to pursue his passion for property and meet with her clients who were expanding their Perth property buyers agency.

When they met they hit it off and Maria admits she's created a monster, even though Brett still works part-time and cares for the kids.

"Maria was a property widow," Brett says.

"It's the first job where I can't wait to get out the door."

■ **They were notified that prostitutes were living in their house.**

Building the portfolio

They haven't let the grass grow under their feet, buying two more properties in 2005 and another three in 2006 – all in suburbs around Perth.

A client alerted Maria to the high rent that could be achieved by offering student rental accommodation in Joondalup.

"One day I took one of my good friends out and bought a property sight unseen," she says.

Maria went to a home open but it wasn't what she was looking for so the agent showed her the brochure for a double-storey, four-bedroom, two-bathroom house on a 180-sqm block and including a studio above the garage.

The property was four or five years old and was rented for \$385 a week plus utilities.

The asking price was \$389,000 but Brett and Maria snapped it up for \$375,000.

Maria says the reason it hadn't sold was that potential buyers couldn't see past the guys who were renting the house and were present during the home opens.

But the figures said it all to Maria who knew she could get more rent for it as student accommodation and, after talking to Brett, they signed up for it.

The real estate agent was so worried that they hadn't visited the property that he put a clause in the contract saying they were aware that they hadn't seen the property.

But early on in the process of renting the property to lodgers they hit a snag – residents were complaining, police had been turning up and people had been seen climbing out of windows.

They were notified that prostitutes were living in their house.

Brett faxed the information to the property manager who promptly

kicked the lodgers out and then they had to replace keys and windows and have the whole house cleaned.

Maria says that property has cost them more in maintenance in a short space of time than the old fibro house in Cloverdale and the cottage in Budgewoi.

But now the Joondalup property earns about \$2100 a month after deductions for property management and a pizza shop is due to open next door which will appeal to the student lodgers.

"We don't normally do that type of investment," they say, but aside from the problems with the "professional ladies", it's delivering a good return and growing in value.

The development bug bites

Brett found out that the local council was doing some rezoning in Southern River and after offering the land deal to clients, who turned it down, he decided to go ahead himself.

The only problem was, they had lots of assets but no cash.

"We were going to use Budgewoi – in March 2005 it was valued at \$270,000 but by August-September the value had dropped to \$240,000 – that \$30,000 was our subdivision," Brett says.

So they teamed up with other family members to buy two blocks side-by-side for a total of \$292,000.

Maria says they sold way too early and could have made double what they did but Brett says it could have been a different story if there had been a downturn in the market instead of the upswing.

The next purchase was in Embleton and was again the result of none of the property buyers agency's clients wanting to go ahead with the deal.

Brett says the agency had discovered a renovated, three-bedroom, one-bathroom, brick and

PORTFOLIO				
Location	Purchase date	Loan amount	Current value	Rent per week
Budgewoi	Jul 1996	\$126,000	\$260,000	\$165
Nollamara	Jun 2000	\$181,000	\$350,000	\$165
Doubleview (unit 1)	Sept 2003	\$208,000	\$450,000	\$265
Karrinyup	Dec 2003	\$600,000	\$930,000	*PPOR
Joondalup	May 2005	\$414,000	\$550,000	\$500
Southern River	Sept 2005	\$355,000	\$520,000	Land
Cloverdale	Apr 2006	\$280,000	\$450,000	\$135
Embleton	Jun 2006	\$360,000	\$500,000	\$250
Medina	Sept 2006	\$289,000	\$315,000	Under renovation
Totals		\$2,813,000	\$4,325,000	\$1,480

DOUBLEVIEW DEVELOPMENT: Unit 2 15/09/2003 \$236,000 sold in September 2003 for \$298,000; Unit 3 15/09/2003 \$230,000 sold in November 2004 for \$338,000; * PPOR = principal place of residence

■ Brett's attitude towards renovating is "never again", he'd rather pay people but Maria says: "I love it".

tile house on a block that could be subdivided and built behind but the real estate agent didn't think it was possible because there wasn't enough room down one side of the house for a driveway.

But one of the buyers agents checked the other side of the house and discovered there was enough room for a driveway.

"There's a lot of agents who don't know the potential," Brett says.

He paid the full price of \$450,000 because he saw the potential and also because it was at a time of frenzied activity and the real estate agent wouldn't let him inspect the property before the open home without making an offer.

At the time, front strata homes were selling for \$380,000 and back blocks were valued at about \$250,000 to \$260,000, putting the paper profit over \$100,000.

"If you can't make money then and there, it's not worth doing it," he says.

Finally in September, they bought a "rough diamond" in a rezoning precinct in Medina with the intention of selling in five years or so.

The three-bedroom, one-bathroom home on 850 sqm is in need of a full renovation and the couple are calling in some experts to do the job because it's too much work for them.

It's likely to be rezoned in 18

months allowing another house to be built behind it.

Brett says they mostly buy and hold but they want to do some projects with quick turnarounds to help pay off the house they live in.

"We're targeting niche markets," he says.

"We buy in (bullet)-proof suburbs – always look at long-term previous growth rates and if there's anything happening in the area, (for example) infrastructure – factors to keep it continuing to grow.

"If there's nothing there, it's just going to flatten off until the next boom."

Looking forward

Brett's bullish about Perth's prospects, saying China and India will consume a huge amount of resources and WA is well placed to supply them, helping to fuel future property growth.

Their basic strategy is to buy properties with good capital growth with the aim of having something to retire on.

"We always said we'd need about 10 properties to retire on," Maria says. "We've got eight."

Maria wants to retire at 40, or at least have the choice to stop working but Brett doesn't think he'll ever retire because he loves being a buyers agent so much.

The couple finds trying to manage their cash flow during the year the hardest thing to do, but having a mix of properties including some near-new homes with better rental helps sustain the portfolio.

They're living from month to month at the moment because Maria recently split with her business partner and has had to build a new mortgage broking business.

Brett says with such good growth, they could capitalise their interest and have the house they live in paid off in less than five years but he's not keen to do it.

In the beginning, they would always go the maximum, pushing the boundaries of what they could borrow.

They would ask different companies for loans until they got the deal they wanted and they currently have loans through three different providers.

Maria says usually they borrow 90 per cent of the value of the property but as the value grows they slowly come under 80 per cent and that's when she separates the properties so they're not cross-securitised.

She writes up all of their loans and they use low-documentation loans now – usually interest-only variable loans, although Joondalup is fixed because it's such a high amount.

Most of the properties are in personal names for the tax benefits and they hire quantity surveyors to draw up depreciation schedules.

Brett says one of the mistakes they made along the way was not buying a block of land in Golden Bay because they just couldn't stretch their finances to support a property with no rental income.

The \$75,000 block is now worth \$550,000 to \$600,000, he says.

"That one hurts," Brett says.

You're never too old to invest, Brett believes.

"Once you're in you get the motivation for it and the confidence to keep going," he says.

Their next property purchase may be in Bali through Maria's business.

She may team up with some other mortgage brokers to buy a house so they can offer holidays in Bali as an incentive to clients. ■

API Interactive

Do you have a question you'd like to ask Brett and Maria about their property investing journey? Email it to forum@apimagazine.com.au

We will endeavour to publish the answer in a future issue of API.

Brett and Maria's top tips

- Develop a good team including a property manager plus a mortgage broker and accountant who invest themselves.
- Review your loan structures and change them if necessary.
- Do your research, due diligence and number crunching.
- Take the emotion out of the decision.
- Don't let a real estate agent talk you into or out of any clauses in the contract because it could cost you.